

Nation's Business

A USEFUL LOOK AHEAD

JULY 1962

New look at business future

PAGE 36

Old folks reject health plan PAGE 34

Unions' goal: Election upset PAGE 64

Get more done—easier PAGE 56

Qualities of victory: **Individualism** PAGE 70



Photo taken under
ordinary white
fluorescent light



Photo taken under
Sylvania
"Natural" White light

At last a fluorescent that makes things look human again!

Suddenly everything comes alive! Foods look better. Fabrics show their subtle shades. Even the atmosphere in a store or restaurant becomes warmer, friendlier (people look better, too; complexions glow!).

Any wonder Sylvania Lifeline "Natural" White fluorescents work merchandis-

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an *exclusive* money-back guarantee!* Don't your sales deserve the lift "Natural" Whites can give them? See your Sylvania representative. Or write: Lighting Division, Sylvania Electric Products Inc., Dept. 110, 60 Boston St., Salem, Mass. In Canada: Sylvania Electric Products (Canada) Ltd., Montreal.

* "If at any time a Sylvania Fluorescent Lamp fails in your opinion to provide better performance than any other brand fluorescent lamps, on the basis of uniformity of performance, uniformity of appearance, maintained brightness and life, it may be returned to the supplier for full refund of purchase price."

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BELL TELEPHONE SYSTEM

Nation's Business

July 1962 Vol. 50 No. 7

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Washington, D.C.

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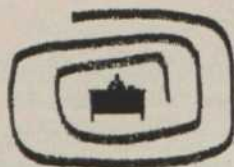
Thumbscrew tactics developed to enforce government farm programs demonstrate high costs accompanying federal aid

90 Road to faster growth

New tax legislation would do most to restore confidence in America's future and get nation moving vigorously ahead

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reason is the wide, flat tread face; it reduces uneven wear, while its bladed design tightens the tire's road-grip. See the Transport-100 and other long-mileage tires at your Firestone Dealer or Store. Available tubeless or tubed in nylon cord or Tyrex®. *Always Specify Firestone —Your Symbol of Quality and Service—on Tires for New Trucks and Trailers.*

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MEMBER  AMERICAN TRUCKING INDUSTRY

WASHINGTON BUSINESS OUTLOOK

Puzzle: Total national output of goods and services goes up more than \$6 billion in three months.

Profit rise same period: Zero.

This mean profit rise is ended?

Not at all.

But it's a strong hint that there's likely to be less earnings oomph in '62 than government budgeteers forecast a few months ago.

Joint Treasury and Budget Bureau forecast called for a whopping big earnings rise.

Indications point to the probability that the biggest part of the rise is past.

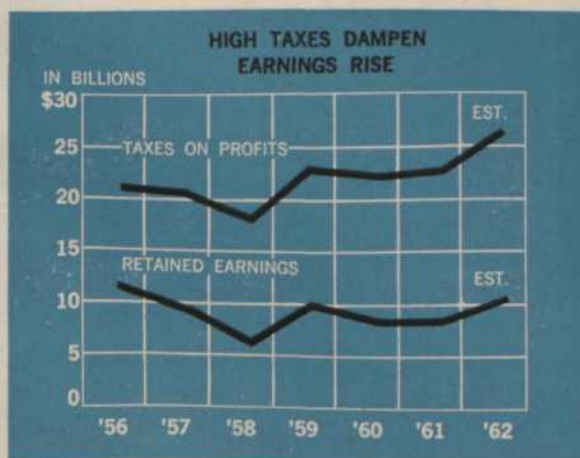
Next profit news you hear will be that business earnings across the board are up a fraction, not whooshing up as they did last year.

Profit expectations provide a prime force influencing business decisions to invest in new facilities.

Earnings—after taxes and dividends—will equal '59 income but will fall short of '55 and '56 when records were set.

Taxes will set a new record.

They're expected to be nearly \$3.5 billion higher than '59—previous peak year.



They'll be \$5 billion higher than '55 and '56 corporation taxes.

High taxes stunt earnings growth.

That means higher earnings this year will provide only moderate stimulation for plant expansion.

But need for modernization of productive equipment—to cut costs—is compelling.

So look for an increase in this category of business expenditures.

Another increase coming next year.

Four influencing forces on growth are analyzed on page 38.

Top executives say:

Business will improve moderately in the next 12 months.

Nation's Business survey on page 36 tells what executives think about sales prospects, relationships of business and government, employment outlook, profit and inventory expectations, future cost trends.

Overtime picks up.

Average for all manufacturing industries in the country now is almost two hours and 45 minutes a week.

That's about as high as overtime goes before a substantial pickup in employment.

Factory employment is almost 700,000 greater than a year ago.

Further rise expected in months ahead.

Layoff rate improves sharply—good sign for business improvement ahead.

Little more than a year ago factories were laying off an average of 29 workers out of every 1,000 employees.

Now the layoff rate is only half that.

Hiring rate is being stepped up.

Factories are gearing up to a higher level of production for the period ahead. In hard goods manufacturing every major industry group is

employing more people than a year ago. In nondurable goods industries every major group except tobacco, food and petroleum has a larger payroll.

Watch want ads.

They'll give you a good clue to business future in your community.

They're also a good indicator of the way business is going throughout the nation.

That's why Uncle Sam keeps track.

Here's national picture:

Help-wanted advertisements began to slip backward about two and a half years ago.

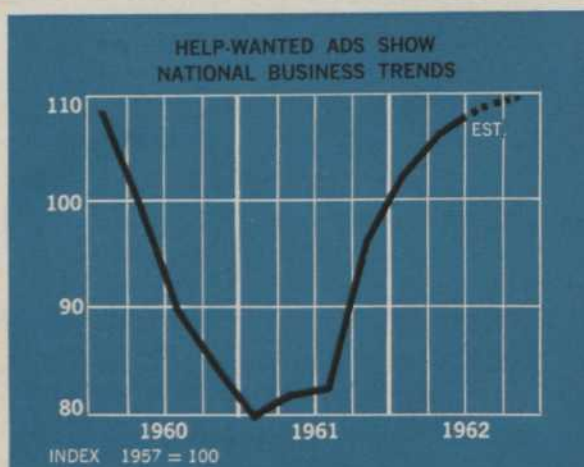
About a year and a quarter ago the national help-wanted volume started back up again.

Rise has been slower than the plunge.

Now the classifieds are almost back up to the previous peak reached in January '60.

Soon they'll top the mark. New records are in store before next snow comes.

Chart shows national help-wanted index compiled by U. S. Department of Commerce.



Construction points up.

Record outlay for the year is indicated.

Private building is running higher while public construction is slightly lower—except

for sewers, schools, public residential buildings, which are up substantially.

Highway construction this year is picking up slowly.

But private building is going to town.

Note: New home starts currently are running at a faster pace than at any time since 1959.

Watch for defense orders to be hiked again.

Placement of military contracts for goods has dropped off in recent weeks. Decline follows sizable increase that took place last summer, fall, winter.

Now there are strong views among government economic advisers that national growth rate needs a new push which Pentagon spending could give.

But budgeteers balk at boosting spending much more at this time. They want to hold inflationary deficit spending as low as possible.

Spenders expected to win out. Watch for contract placements to be speeded up again in July and August.

Fringe costs rise twice as fast as wage costs.

That's finding of a new fringe benefit study by Economic Research Department of the Chamber of Commerce of the United States.

Payments for fringe benefits will total \$65 billion this year. Compares with \$30 billion a decade ago.

In that period payroll fringe costs have zoomed 117 per cent. Wages up 62 per cent.

Future? Survey of 1,120 companies indicates fringes will continue to cost more.

Survey details on page 80.

Are you filing more government forms but enjoying it less?

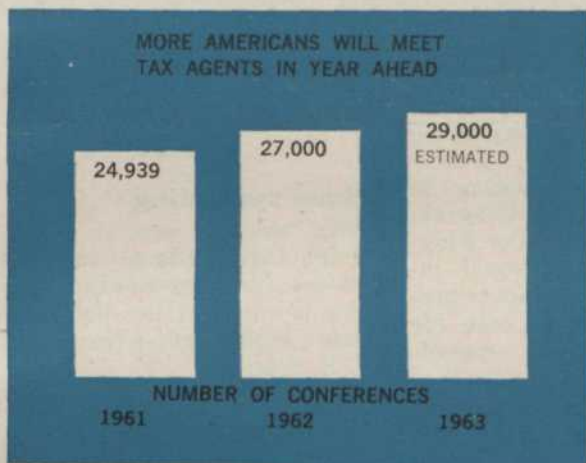
Many Americans are.

One agency alone—Internal Revenue Service

WASHINGTON BUSINESS OUTLOOK

—will handle about 96 million tax reports from individuals and companies this year.

That's one reason the agency in the next 12 months expects to spend a fourth more than it spent in fiscal '61.



Audit of tax returns alone will cost \$43 million above last year.

Action in Congress speeds up. But no early adjournment is in sight.

Many red hot issues still top congressional calendar.

Some could change the way you do business.

Example: Proposal would enlarge federal government's wage-setting authority. Would apply to any business "affecting commerce" with 25 or more employees or with a government contract of \$10,000 or more.

Bill as drawn specifies equal pay for women but it requires that employer must provide equal pay in "any place of employment in which his employees are engaged." There'd be no pay differentials anywhere.

Outlook for other legislation that could affect you on page 75.

Communists are moving in on U. S. business. They want to know everything about your management and production processes, how you make a profit.

(See: "Why Reds Make Friends with Businessmen," May '62 Nation's Business.)

Now there's something new you can do about this threat. Steps are outlined in visual presentation: "You Can Help Meet the Communist Challenge."

Consists of color slides, 12 minute taped commentary. Ideal for showing to employees, civic, school groups.

Scripts are free.

Address: "Red Challenge," Chamber of Commerce of the United States, 1615 H Street N.W., Washington 6, D. C.

Look for decline in interest you pay on short-term business loans.

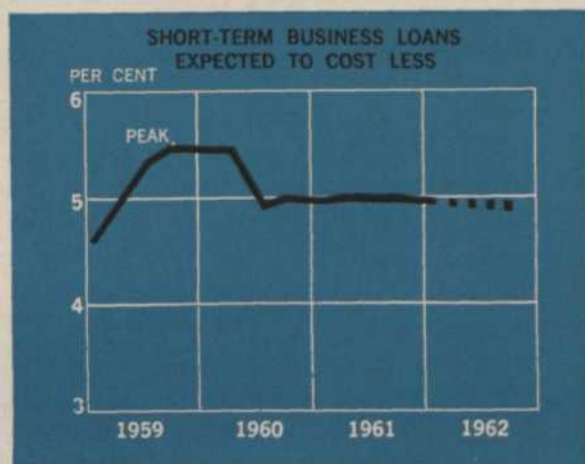
Interest rates reached top at end of '59.

By mid-'60 the average interest cost had fallen just below five per cent.

There it has remained for two years.

Now—in recent weeks—money has been piling up in banks.

You can expect borrowing to cost you less in summer and fall.





Lease a new CHEVROLET
or other fine truck.

**BUDGET
THRU**

National Lease

**ONE invoice, FULL service,
NO capital, NO upkeep!**

END your truck headaches with one of these NATIONALEASE-for-Profit plans. Your LOCAL owner-managed NATIONALEASE affiliate has full authority with no distant "home office" restrictions.

Choose one of these plans and ask your local NATIONALEASE affiliate to fit it to your operation, your cost requirements:

• **CHANGE-OVER PLAN**

Trucks, facilities, personnel—ALL REDESIGNED into one efficient, full-service, lease-for-profit, NATIONALEASE program.

• **ADD-A-TRUCK PLAN**

As you expand, DON'T BUY new trucks — convert truck-by-truck thru NATIONALEASE to a clean, fully serviced fleet.

• **TRUCK RETIREMENT PLAN**

Replace your older trucks one-by-one as they become maintenance problems without investing new capital. ALL NATIONALEASE plans cover full service—EVERYTHING FURNISHED BUT THE DRIVER.

• **PILOT PLAN**

Try NATIONALEASE for one truck, one location, or one division. Compare the one invoice, all costs known-in-advance to the thousand-and-one headaches concerned with tires, painting, licensing, insurance, washing, repairs, and other upkeep details (including office as well as shop time) of your self-owned trucks.

National know-how; local controls—
write for literature.

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NTLS



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LEASING SYSTEM**

Serving Principal Cities in the U.S. and Canada

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Business opinion:

Medical school resolution urges health tax defeat

APROPOS of the excellent article "Future Doctors Oppose Federal Medicine" [June], hear this:

The sophomore class of the Ohio State University College of Medicine on May 11, 1962, by a vote of 118-0, adopted the following resolution opposing the King-Anderson bill:

Whereas, there is pending in the Eighty-seventh U. S. Congress House Resolution 4222 (the King-Anderson bill), which would increase the social security tax to provide compulsory medical care for social security recipients, regardless of need, and

Whereas, health care of the needy can best be met by the proper utilization of existing public assistance programs, therefore

Be it resolved, that the sophomore class of the College of Medicine, Ohio State University, does hereby go on record as opposing all compulsory government medical care programs, and specifically H.R. 4222, and urges its members to give their support to efforts to defeat H.R. 4222, and be it further

Resolved, that copies of this resolution be forwarded to Ohio's senators and members of the U. S. House of Representatives, and that said senators and representatives be and hereby are respectfully requested to use every effort at their command to prevent the enactment of such legislation.

G. H. SAVILLE

Director of Public Relations
Ohio State Medical Association
Columbus, Ohio

Evidence for legislators

Your June "Washington Business Outlook" and editorial page are extremely valuable and interesting.

I would like to suggest that these be made up as reprints for business people to forward to their elected representatives as supporting evidence of the taxpayers' concern with the way our federal spending program is running.

This is clear, concise, simple, and graphic. If I were a politician thinking about spending the taxpayers' money, I might be very concerned if people were stating the problem in the form you have done.

E. V. DORR

Humble Oil & Refining Co.
Houston, Tex.

Ideas spreading

We plan to reprint "How To Weigh Ideas" [April] in our *Suggestion Plan Information Service*. This is a publication distributed to some 15,000 supervisors within U. S. Steel.

THOMAS D. GEOGHEGAN
United States Steel Corp.
Washington, D.C.

"How to Weigh Ideas" and "Keep Your Memory Young" [April] are excellent. We would like permission to distribute copies to our top executives.

VERNON SHEBLAK
Northrop Corp.
Hawthorne, Calif.

Where quality counts

We were greatly impressed by two short articles on quality included in "Executive Trends" [April].

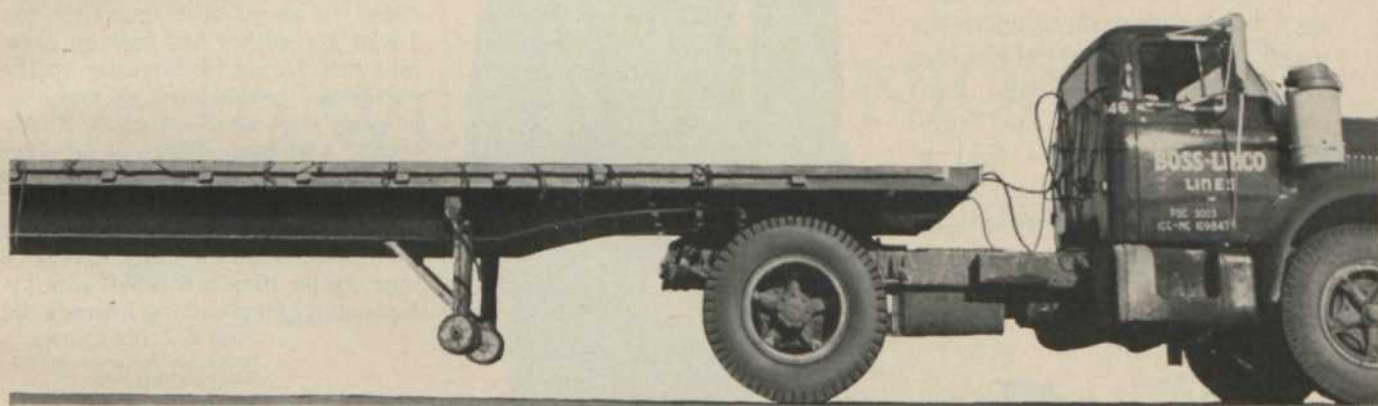
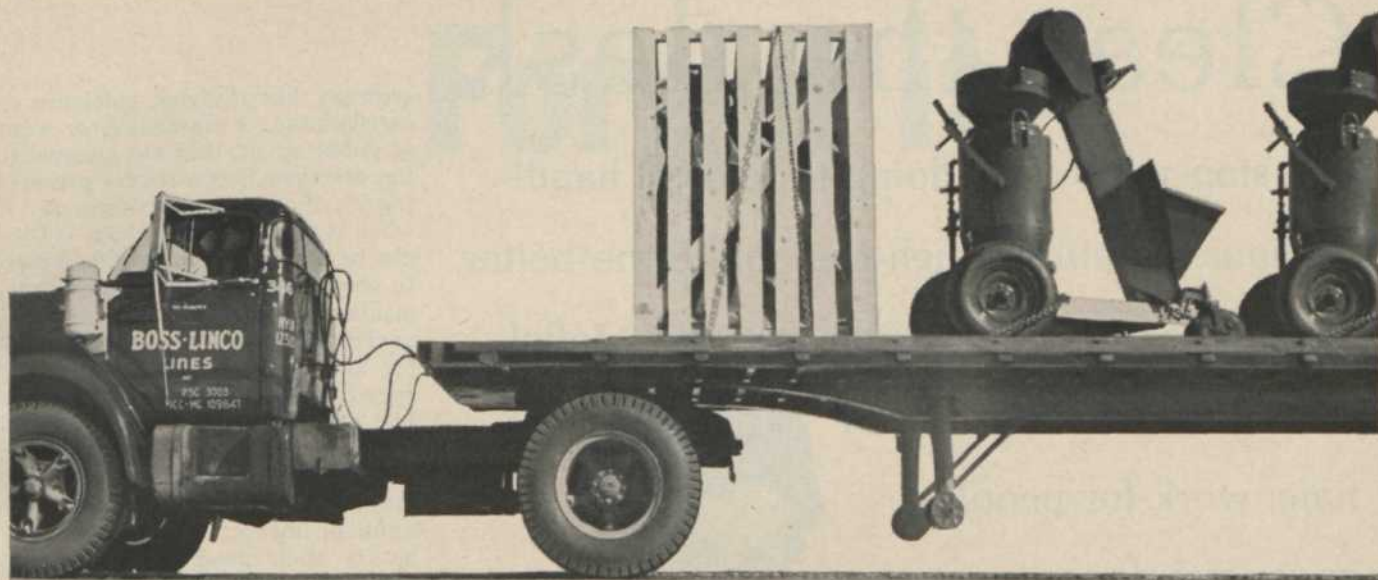
We are a manufacturer of semi-conductors, and these thoughts on quality really hit home. With your permission, we would like to publish these items in our plant's *Management Newsletter*, a periodic internal publication for some 85 professional and technical employees.

THOMAS C. LITWILER
Communications & Personnel
Development
General Electric Co.
Buffalo, N.Y.

Pertinent paragraph

Reading your editorial "Fediculature Can't Grow Talent" [May], and considering what is happening in the federal government today, I give you the following paragraph from J. S. Mill:

"A people may prefer a free gov-



New tire brings you back "free"!

One inescapable thing in trucking is that a "run" means a "round trip."

You have to figure *most any* truck tire will get you there and back. But Goodyear's new Super Cross-Rib truck tires get you back "free"!

How come? Simple. Super Cross-Rib *doubles your drivewheel mileage* over ordinary tires.

Big reason for the bonus: A "dual compounded" tread—actually two treads—up to 60% thicker than

in ordinary tires. The outer tread is super-toughened to run farther. The inner tread is more resilient to restrict flexing and reduce heat buildup—a major cause of tire failure.

So when you think of any "run," think of Super Cross-Rib. The cost of getting there is the same. Super Cross-Rib gets you back "free." See your Goodyear Dealer or Goodyear Service Store today. Goodyear, Akron 16, Ohio.

ANOTHER REASON WHY: MORE TONS ARE HAULED ON GOODYEAR TIRES THAN ON ANY OTHER KIND

GOODYEAR

Clear the desk

and stop what she's doing to fold by hand!

Tedious, repetitive, high-cost job. Done better,

faster, cheaper by the little low cost Model

FH Folding Machine. Saves

time, work for people

in several departments.

To fold by hand, a girl first has to stop what she's doing, and clear her desk before she can start folding. When she's through, she then has to reorganize what she was doing. The Model FH Folding Machine spares her (and you) costly interruptions and time losses. Can be set to fold in seconds, and will fold up to 80 letters a minute. Convenient for the day's mail or occasional mailings. Costs less than a standard typewriter.

Can be used with PB Model 3300 Inserting Machine for simultaneous folding and inserting.

Demonstration? Call any Pitney-Bowes office. Or send coupon below for free illustrated booklet.



FREE: Handy desk or wall chart of latest postal rates, with parcel post map and zone finder.

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Send free ☐ booklet on PB Folding
and Inserting Machines ☐ postal rate
chart.

Name

Address

Business opinion:

ernment, but if, from indolence or carelessness, or cowardice, or want of public spirit, they are unequal to the exertions necessary for preserving it; if they will not fight for it when it is directly attacked; if they can be deluded by the artifices used to cheat them out of it; if by momentary discouragement, or temporary panic, or a fit of enthusiasm for an individual, they can be induced to lay their liberties at the feet of even a great man, or trust him with powers which enable him to subvert their institutions; in all these cases they are more or less unfit for liberty; and though it may be for their good to have had it even for a short time, they are unlikely long to enjoy it."

JAMES L. R. CRAIG
Vice President
Green & Pierson Lumber Co.
Madison, N.J.

Curiosity helps executives

"Qualities of Victory: Curiosity" [May] is an interesting article, but I wish the author had gone on to relate this factor of curiosity to the success of people such as make up a large part of NATION'S BUSINESS' audience. There is a large need in the typical manager for curiosity: the curiosity of the supervisor that draws his men out, the curiosity of the chief executive that keeps him informed and his decision-making batting average up.

JOHN J. CORSON
McKinsey & Company, Inc.
Washington, D.C.

More facts needed

I have been a subscriber to NATION'S BUSINESS for a number of years and read each and all articles. I want to congratulate your magazine as being one of the few that have courage enough to print the truth about the many situations facing us.

It is time that the American people woke up and did something about what and who is trying to undermine our American way of life. I am writing the local papers and to our senators, but the people will need more facts. I would like to have permission to reprint in part some of the facts in NATION'S BUSINESS; especially "Health Tax Would Buy Disappointment" [April], "Planners Urge Federal Land Control" [April], and "New Federal Wage Push Boosts Costs" [May].

GEORGE O. ERICKSON
President
Erickson Construction Co., Inc.
Denver, Colo.

Forget it

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=International
Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

FORGET WHAT'S IN A TELEGRAM? NOT LIKELY. YOUR TELEGRAM MAKES A STRONG FIRST IMPRESSION. AND, BECAUSE IT'S A WRITTEN RECORD, IT STAYS WITH A BUSINESSMAN LONG AFTER OTHER MESSAGES ARE FORGOTTEN. YOUR TELEGRAM IS CONCISE. IT'S CLEAR. IT'S ALL BUSINESS.

TO BE SURE TO GET ACTION, SEND A TELEGRAM.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

© 1962, Western Union

WESTERN UNION—CREATIVE COMMUNICATIONS: RECORD, FACSIMILE, VOICE/DATA

will **THEY** pay



for **YOUR** economy?

Your children might have to pay for your economy if the only thing you demand of a new sewer line is that it be cheap.

Cities all over the country have found that putting in cheap sewer lines is the worst kind of false economy.

Why?

Because they quickly fail rather than providing generations of service as they should.

The best way to make sure your children don't have to shoulder your unpaid bills for adequate sewer protection is to demand the best sewer lines money can buy.

Those are sewer lines built of Lifetime Vitrified Clay Pipe. That's the only pipe that is impervious to wear and the gases and acids that cause cheaper pipe to disintegrate.

Demand that you and your children get the best—Lifetime Vitrified Clay Pipe—in every sewer line you pay for.

Public Health demands the Protection of Modern Sanitation provided by

NATIONAL
Clay Pipe
INSTITUTE

1028 Connecticut Avenue, Washington 6, D. C.

Barrington, Illinois Columbus, Ohio
San Francisco, Calif. Atlanta, Ga.
Research Center: Crystal Lake, Illinois

Executive Trends

- Recruiters reach for teen-agers
- Beware of merger pitfalls
- Put your operations on trial

Ever wonder how long your counterpart in business abroad works each day?

From a number of sources—including *The Observer* of London—come these profiles of the working day for executives in several European countries:

France—the manager may start working as early as eight o'clock and work as late as seven. Lunch breaks run about two hours.

Italy—more relaxed attitude here. In the north, eight to 12 and two to six are standard. In the south, lunch hours last longer, some men not getting back to their offices until five or six.

Holland—a pattern about like that in the United States—8:30 to 12:30, 1:30 to 5:45.

• • •

In a New Jersey department store a recent high school graduate listens attentively to a lecture on retailing mathematics.

In the auditorium of a high school in a large Ohio city the vice president of a large manufacturing concern extols the merits of careers in marketing.

In the living room of a home in a southern city the representative of still another company earnestly discusses the future of a high school graduate with the graduate's parents.

Each of these dissimilar incidents is in a sense similar—for all represent a growing, significant trend in U. S. business and industry. They point up the fact that more and more American companies are

reaching not only into the nation's colleges for potential executive talent—but increasingly into our secondary schools.

Underlying the trend are some stark, simple facts. The nation is up against a shortage of prime-age executive manpower. The colleges are not producing enough qualified people to fill industry's needs, and too many high school students (of high intelligence) are failing to go on to college.

Result: Many companies, in varying fields, are vigorously extending their talent searches to the secondary grades; identifying promising young people early; hiring many bright young high school graduates and putting them through on-the-job training or assisting them in getting a college education.

• • •

Does a high school graduate really have executive potential?

At least one top executive answers with a resounding "Yes."

He's K. Wade Bennett, senior vice president of Bamberger's New Jersey, a division of R. H. Macy & Company. His firm—for three years—has successfully recruited and trained high school graduates from throughout New Jersey for careers in department store retailing.

According to Mr. Bennett, Bamberger's experience demonstrates conclusively that some of the brightest executive prospects are to be found among the millions of young people who do not enter or complete college. The store's "Prep Squad" program for secondary

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Easy to own. The Hughes 269A now makes helicopter travel economically practical. Direct operating cost: *13¢ a mile*. Price tag: just \$22,500 (others are two to three times as much). And simplified design means maximum air time, minimum maintenance.

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**INSURANCE COMPANY
OF NORTH AMERICA**

World Headquarters: Philadelphia

EXECUTIVE TRENDS

continued

school graduates puts the beginner through rigorous on-the-job training. Further, the program encourages, and in some instances underwrites, additional education for those interested in attending college.

"It is my opinion," Mr. Bennett told *NATION'S BUSINESS*, "that many companies should—and indeed now are—awakening to the fact that there is a vast pool of developable manpower among high school graduates. The recruiting program which we operate to tap this pool is patterned closely after the program we conduct for college graduates."

If your company is planning to buy another firm, or merge with it, beware of pitfalls often overlooked in such actions.

This advice comes from two consultants whose organizations are members of The Association of Consulting Management Engineers.

In exclusive statements to *NATION'S BUSINESS*, the consultants caution against deficiencies in personnel talent and planning which can mar an acquisition or merger.

One of the consultants, Dilworth H. Walker, a partner in Cresap, McCormick and Paget, says major trouble spots to watch for in evaluating a company's management are:

1. The strong man who has built the business from scratch and may leave no one to fill his shoes.
2. A dominant top management which has not developed subordinates capable of taking over.

The competence and depth of operating and technical management should also be weighed in the light of these criteria, Mr. Walker points out. He further recommends that the acquiring company take a hard look at its own executives to make sure they have the knowledge and capacity to work effectively with the enterprise it plans to acquire.

William C. Graham, a principal in McKinsey & Company, Inc., says prior evaluation of how companies complement or supplement each other in marketing, engineering, manufacturing, and research and development too often is treated lightly, with subsequent loss of both

money and managerial efficiency. Mr. Graham urges a deliberate, planned approach to acquisitions.

Government is promoting mediocrity rather than excellence in business management, charges Prof. George S. Odiorne of the University of Michigan.

Professor Odiorne, speaker and writer on management subjects, heads the University of Michigan's Bureau of Industrial Relations.

He contends that federal investigators probing into the affairs of successful companies are, in effect, punishing efficient operation. "The investigators should not be asking why General Motors has 55 per cent of the auto market," he declares, "but why other companies are so managed that they remain small."

Business firms should have three goals, Professor Odiorne believes. He says these goals are profit, survival and growth. "Social service and other such concepts can only be supported by profitable firms," he adds.

Harold F. Smiddy, president of The Academy of Management, asserted that "the business manager must realize that business can no longer operate as an individual proprietorship. It is interdependent with other parts of our society, and businessmen must recognize that economic factors alone should not determine the course of action which a business must follow."

Does your firm put each of its staff activities on trial for its life every three years or so?

If the answer is "no," you may be guilty of one of the six major sins of management in today's business environment, according to consultant Peter F. Drucker.

Mr. Drucker, addressing a meeting of the American Management Association, said too many companies tend always to add new projects and never to drop old ones, thus contributing unnecessarily to the cost of their administrative overhead.

The enlightened company asks: "If we weren't in this operation already, would we go into it?" If the answer is "no," the operation should be abandoned, Mr. Drucker asserts.

What are the other sins?

1. The tendency to try to do too much with available personnel, in-



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PRODUCTS OF
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continued

stead of concentrating effort where it pays the biggest dividends; 2, the failure to farm out work of a short-lived nature; 3, permitting degeneration of staff services; 4, abuse of new tools, such as computers, and, 5, permitting costs to balloon out of proportion in good times and then chopping them back with a meat ax when the pinch is on.

Try this one on your friends.

Ask them if they know how much of the net income of American corporations goes into the hands of labor.

Answer: 80 per cent.

That's a finding of a recent National Industrial Conference Board study analyzing the assets, income, profits and losses and other characteristics of U. S. corporations.

The study shows corporations employ more than 30 million people—almost as many as the rest of the economy, including governments—and that some 60 per cent of all manufacturing workers in the nation are on the payrolls of companies with 500 or more workers.

What about the 20 per cent of corporation income that doesn't go to labor?

It represents interest, taxes, dividends and retained profits.

Don't underestimate the power of a woman—particularly if she is your wife.

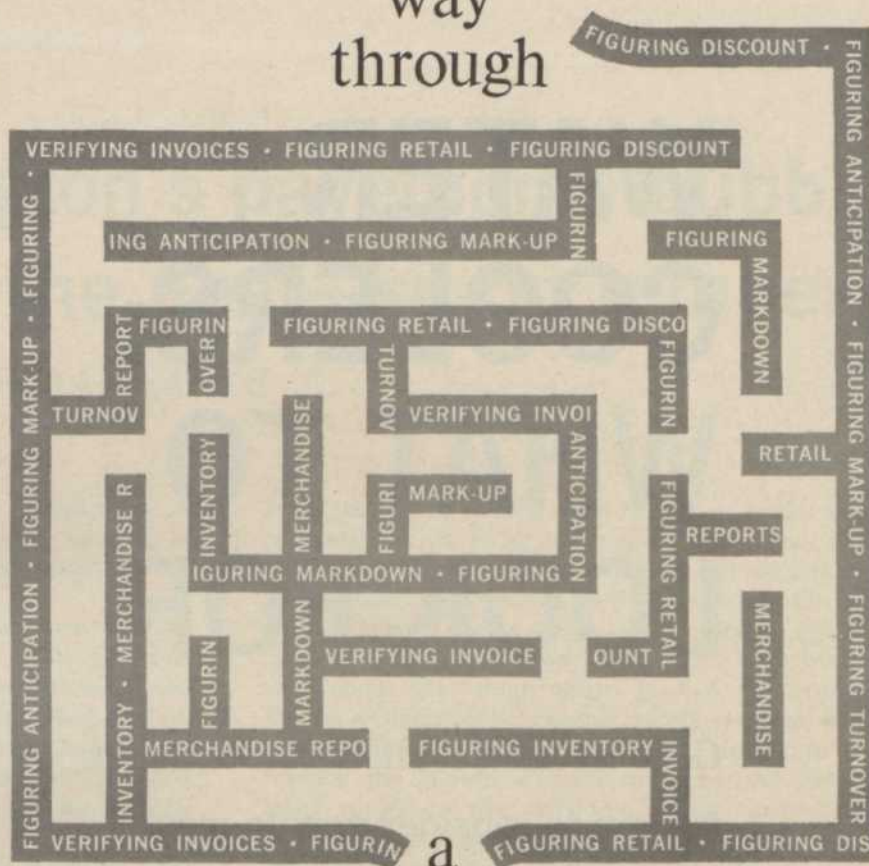
That's the advice of executive recruiter William H. Megary, of Philadelphia, who notes that wives are playing an increasingly important role in executive selection.

Mr. Megary says recruiters are checking out the "resumés" of wives. Object: to determine if the wife will aid or hamper her spouse in a new job.

Some companies, Mr. Megary says, will turn down an otherwise well qualified man if investigation shows that his wife exerts an excessively dominant influence over his thinking.

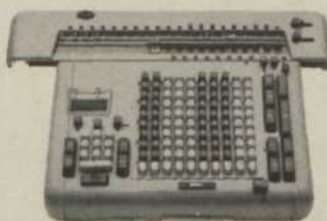
In one instance, according to recruiter Megary, six division heads of one company were discharged because inquiry showed that "the wives, not the men, were actually running the show."

How Steiger's finds its way through



maze of
figurework

Every department store is faced with a common problem: the handling of staggering amounts of daily figurework.



To find their way through this complicated maze the Albert Steiger Co., of Springfield, Mass. use the Friden fully automatic Calculator, the Thinking Machine of American Business. Steiger's have used Friden Calculators for over 20 years. Here's what

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The Friden Calculator is rugged, reliable and simple to operate — requiring fewer manual keystrokes and fewer operator decisions than any other calculator on the market. For a demonstration, see your local Friden Man. Or write: Friden, Inc., San Leandro, California.

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WATER COOLERS: WHAT TO LOOK FOR

General Electric lists seven factors for you to consider now to meet your summertime water cooler needs



MAN'S NEED for water doubles, even triples during the summer. As a result, now is the time for you to check your drinking water requirements.

Fortunately, you can choose from a wide selection. The problem is to buy wisely. Here are seven factors to guide your choice:

Right Capacity

Water coolers vary widely in capacity. The size you should choose depends on the number of people who will use the unit, temperature of the room and the incoming water, and type of work being done. Your General Electric water cooler distributor can help you choose. He carries a complete line, including the exclusive, space-saving Trapezoid Shape coolers in both wall-hung and floor models, as well as bottle and pressure compact units.

Attractive design

The cooler's appearance should add to its surroundings. That's why General Electric's exclusive Trapezoid Shape Water Cooler is an excellent choice. Its modern, streamlined design complements your decor. The unique shape saves aisle space by inviting drinking from the side.

Long-term dependability

Your water cooler should last for many years. To make sure, weigh the manufacturer's reputation for high-quality products, and check his service facilities.

Flush-to-wall mounting

Be sure the units you buy will mount flush to the wall. This hides unsightly plumbing, saves space, makes your water coolers a more attractive addition to your business. Wall-hung models simplify floor cleaning.

Available accessories

Select the accessories that will make the cooler better meet your needs. Hot water outlets, for instance, can cut coffee-break time 50% or more . . . and that saves you money.

Trade-in allowances

Trade in your old water coolers to hold your investment to a minimum.

Easy financing

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GENERAL  ELECTRIC

Washington's pavements bubble with the heat—so do tempers

BY MERRIMAN SMITH

THESE ARE the Dreadful Days in Washington, a time when pimples seem to be boils and burdens of being an administration official or congressional leader grow cruelly onerous.

It is in July when Washington's broad asphalt avenues begin to bubble, humidity turns the residents into sodden addicts of air conditioning and congressmen rasp at each other with added timbre. Such noted contemporary historians as James Reston have referred to this onset of hot weather and irritability in the nation's capital as "the Official Silly Season."

It is a time when so-called political scandals seem to crop out in unpleasant bloom and the town rings with cries of havoc, accusation and general evility—in others. It is a time of suspicion, gossip and hypersensitivity.

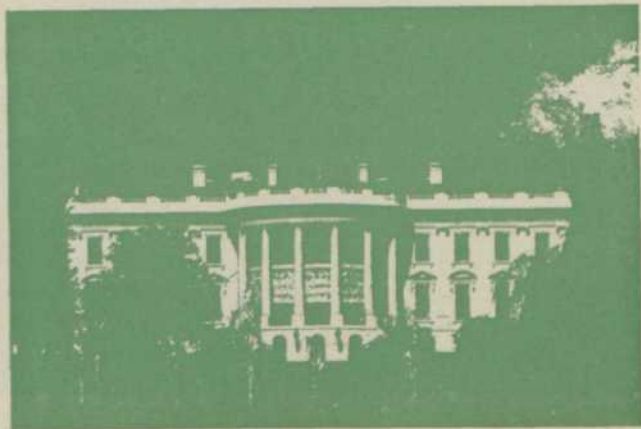
It could be due to atomic testing, juvenile delinquency or the miserable American League status of Washington's baseball Senators (there is a difference), but somehow the Dreadful Days seem to be starting sooner and lasting longer. It could be that our summers are getting hotter sooner. Or this particular summer, it might be that President Kennedy and some of those around him are seeing themselves in mirrors misted over by political steam.

Some New Frontiersmen seem to feel their image is slipping and they are exceedingly cross with non-Frontiersmen who either contribute to the slippage or derive some glee from its occurrence. There are times when it would seem awfully nice if Congress, the press and certain commentators would get out of town; head for the mountains or seashore and thus give the Frontiersmen a breather in which to adjust their mantles or recover their realism.

If there is any shifting of the public picture or image of the Administration, the Frontiersmen brought some of it on themselves. True, there are some impossibly rude critics who shamelessly catcall such dirty words as "antibusiness." Next thing we

know, they'll be writing such things on fences which congressmen are going home shortly to mend.

It was, however, Frontiersmen of the highest rank who stopped deliveries of 22 daily copies of the New York *Herald Tribune* to the White House. Furthermore, the carrier boy was advised to keep his yap shut about the whole affair. Had it not been for Reston's Official Silly Season, surely someone at the White House would have decided simply to stop reading the *Herald Tribune* and give the accumulated copies to the Salvation Army. Instead, the White House seemed quite proud of itself and the ghost of Peter Zenger returned to the city.



Despite air conditioning, White House residents feel the heat when summer brings "Official Silly Season"

In all fairness to Mr. Kennedy, however, he deserves a certain amount of sympathetic understanding in his current state of acute awareness of what is being said and printed about him and his Administration. Who wants to hear about Billie Sol Estes every few minutes? Or those expensive piles of stuff we no longer need to wage war.

Former President Eisenhower also would have preferred at times not to have dinned into him the

Merriman Smith is the White House reporter for United Press International.

TRENDS: WASHINGTON MOOD

intertwined names of Sherman Adams and Bernard Goldfine. Or Joe McCarthy. Or Nikita S. Khrushchev. Another former President, Harry S. Truman, became highly allergic to discussion of percenters, particularly those who favored the figure five. And the late Franklin D. Roosevelt came to look askance at most everything printed about him and/or his New Deal, excepting, of course, most of the columns written by his wife.

Back home in Indiana or Oregon or South Carolina, we sometimes forget that a President essentially is a political creature. He is surrounded largely by ardent believers, worshippers, disciples and sycophants who in time become more activist and evangelical in his cause than he, himself, ever indicates. This naturally has an unsettling effect on his judgment to the extent that he must rally rare powers of detachment to avoid believing the blandishments.

Thus, history shows us that a President's skin tends to become thinner the longer he is in office. What is interesting about Mr. Kennedy and his closer associates is that their sensitivity seems to have peaked a bit early.

It is hard to recall when a President started out with a friendlier press. There seems to be a definite rapport between Mr. Kennedy and many of those who report and comment on his policies. It is not begging an old phrase, for example, to point out that some of his best friends are *Herald Tribune* people. But far beyond this particular and undoubtedly transient problem of the 22 subscriptions, the President seems to have reached a new point of sensitivity to what is said and written about him, his Administration and their activities.

With the fall elections on the horizon and needing the support of conservative Democrats and liberal Republicans in the closing weeks of Congress, the President also may be nettled by frustration. Possibly he would like to swing at his political foes much harder than current conditions in Congress would indicate.

While some liberals may disagree, Mr. Eisenhower was similarly hobbled during just such a sweaty summer as this when the late Senator McCarthy was pursuing those whom he had decreed to be in-government communists. Mr. Eisenhower finally was irritated to the point of taking issue with Senator McCarthy in a press conference, but followed quickly with a palliative qualification that he would "never question the motives of another man."

This was not as evasive as it may have sounded. It was an old political technique used ordinarily to avoid giving the impression of applying the goad to a specific individual. Presidents normally prefer the oblique attack rather than the frontal. Stockholders of U. S. Steel may differ with this, but after all, we are dealing with the broad reaches of history.

Mr. Kennedy also has followed on frequent occasions the time-tested practice of deploring a sin, but

carefully refraining from questioning the motives of the sinner.

Perhaps in an era of rapid and sensitive communications, we have come to a point where such politeness is unduly expensive, if not a waste of time. It may be time to cast overboard some of the amenities and have our leaders speak more plainly. By being blunter, it might be easier for an Administration to detect internal troubles before they inflame the town with gossipy scandal.

What brings this to mind is a phase of the Billie Sol Estes case in which at least one federal official who accepted a \$1,000 gift from the Texan was allowed to resign. Albeit under a shadow, he still was permitted to leave under his own power.

Mr. Kennedy conceded with amazing frankness at a recent news conference that since the federal establishment is so large and its workers deal in such vast sums of money, it is impossible to prevent an occasional undesirable working arrangement between a misguided federal employe and an outsider trying to make a killing. Quick detection and speedy removal or punishment was, in his opinion, our best protection against leaks in the federal till.

This being so, why let even one official who has accepted a sizable gratuity from a questionable outsider resign? Why not bounce a man of this sort so hard that there can never be any doubt as to the manner in which he departed the federal government? Why not begin to question motives openly if there is solid reason to believe anyone involved in government is something less than on the level?

Why not? Because members of a party in power, and this goes for any party, like to believe that adherence to their banners equates with a certain amount of purity; that through some magic of the ballot box they are divested of baser emotions and that the other crowd has a monopoly on evil.

This, of course, is self-righteous pap. It is ridiculous even to flirt with the idea of being able to assemble an antiseptic government of more than two million employes completely free of crooks, thieves, liars, swindlers, cheats or neuter oddballs. Yet, administrations try to preserve this fiction. When embarrassing contradictions become visible, those in power apply themselves to proving that if evil there be, it all began in the previous Administration.

Which brings us in roundabout fashion back to that old devil, image.

The best possible image for an Administration and its leaders, and certainly the more durable, is a reputation born of performance. Preoccupation with image has a certain cosmetic quality, an element of packaging. Attractive packaging. This may be fine for breakfast food, but it is sometimes too thin and transparent for durable human relations.

The President surely knows this, but he is in a hurry, and being in haste can lead to frustration which in turn begets supersensitivity. Mr. Kennedy is in a hurry because the world is moving faster, faster than any President before him ever experienced. This could be one reason why the Dreadful Days seemed to arrive earlier this summer.



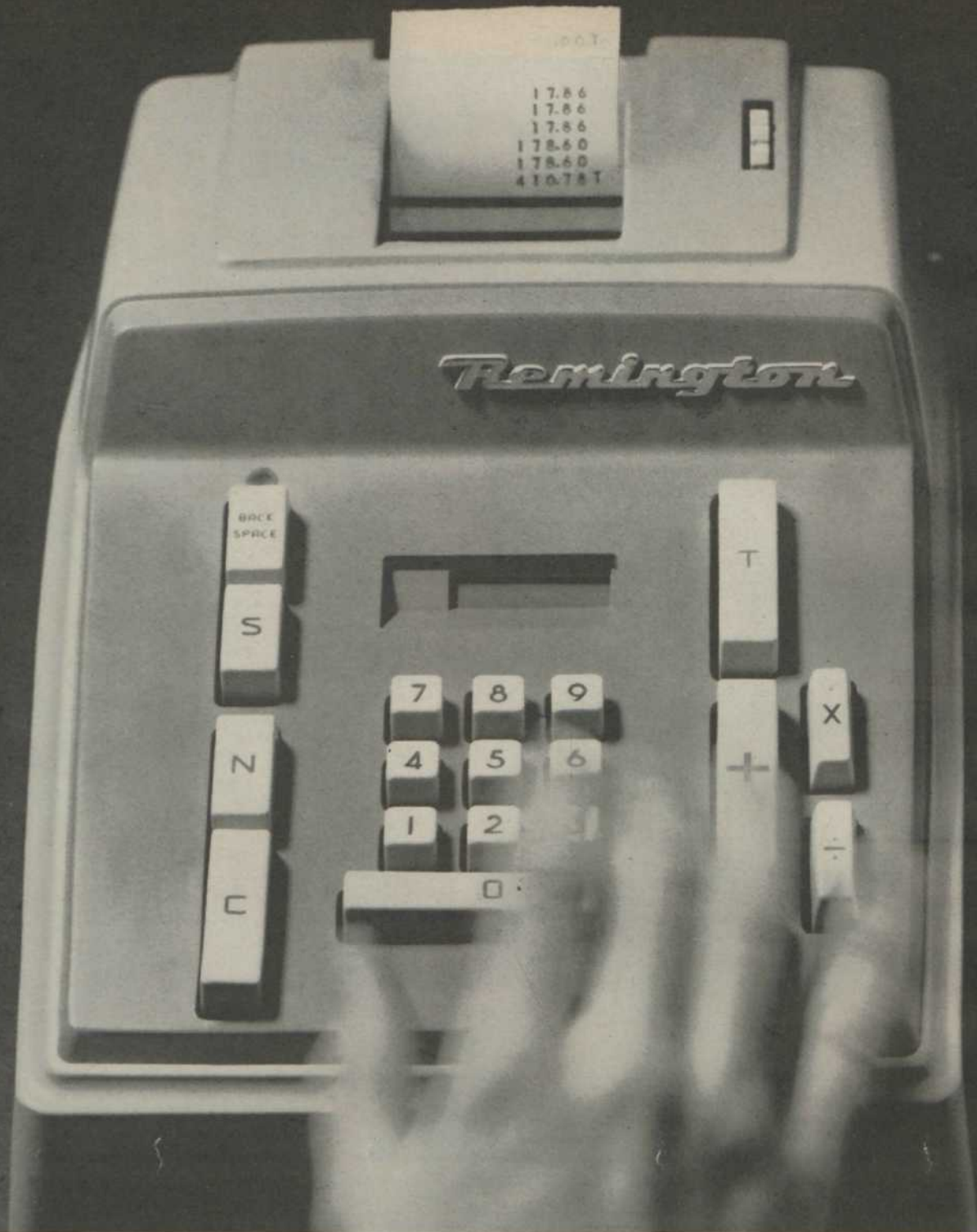
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Too much legislative reform is as dangerous as too little

BY FELIX MORLEY

MOST STATE legislatures, since the decision of the Supreme Court in regard to that of Tennessee, have been wrestling with the knotty problem of reapportionment. The experience is incidentally revealing alarming evidence of popular ignorance as to fundamental principles of American government.

This is apparent in the effort of undoubtedly well intentioned groups to reorganize both the upper and lower houses of the legislatures on the same arithmetical basis.

It is asserted that every county and municipality should be allotted both senators and representatives in a proportion as exactly equal as is compatible with constantly shifting population. Any other formula is called "invidious malapportionment."

Thus branches of the Maryland League of Women Voters, prior to the spring primary elections in that State, sent questionnaires to all candidates for office. While admirable for the most part, one boomeranged badly. It read: "Approximately one quarter of the population of Maryland now elects two thirds of the Senate and a majority of the House of Delegates of the General Assembly. What form of reapportionment do you support?"

This question implies that the principle of representation proportionate to population should apply in both Houses of any bicameral legislature. Yet every voter, woman or man, should know that this has never been the case in the United States, nationally.

Indeed, the most superficial acquaintance with the federal Congress makes clear that its Senate and House are established on wholly different principles of representation. That for the Senate is geographic, without any concession to the population factor. Anyone who reads even the First Article of the Constitution will find this rule spelled out.

To illustrate, one may note that the 1960 census tabulated the total population of the 50 States as

179,452,000. It also counted the population of just 10 of these States—the most populous ones—as 96,363,000. Since every State provides two senators it follows that less than one half of the population of the United States now elects four fifths of the Senate, a disproportion very similar to that criticized in Maryland.

Fortunately, this has not yet been made an argument for reorganizing the U. S. Senate on strictly



Reapportionment could destroy principle that lower house represents people while Senate is geographic

democratic lines. To do so would mean that since Nevada has two senators, New York, with 55 times as many people, should have 110. It would be less absurd to abolish the Senate altogether. This Nebraska, on the State level, actually did some years ago, reportedly without any improvement in the quality of its government.

The wholly different basis of representation is in fact the major reason for having bicameral legislatures, both for the nation and for its constituent States. The reasonable assumption is that the general

TRENDS: STATE OF THE NATION

welfare, rather than that of a powerful faction, will best be served when legislation is considered from regional as well as from numerical viewpoints. Therefore bills passed by either chamber are made subject to review by the other, from a different angle, before they can become law. And then the Presidential or gubernatorial veto power is added as a further safeguard against ill-considered lawmaking.

These arrangements are, of course, an integral part of the system of check and balance that especially characterizes our government and has, so far, kept it from ever becoming tyrannical. Time was when every high school student was taught what is here summarized. But more glamorous subjects, like cosmetology, driving instructions and the United Nations, have all but displaced political science in the curriculum. Consequently we forget that to destroy the symmetry of our form of government is to endanger the smooth operation that has served us all so well.

This is the more serious at a time when government is steadily assuming more and more directive power. It is like accelerating the speed of an automobile as one of its well-balanced tires goes flat.

There is, of course, ample justification for the demand that the States reapportion the lower houses of their legislatures. Like the House of Representatives in Washington, these are supposed to represent the people proportionately. Failure to make appropriate changes as population becomes more metropolitan has given undue legislative dominance to rural areas, thereby aggravating urban problems to a point almost beyond the ability of cities to solve. But one error is not corrected by making another, such as abandonment of the principle of regional representation, originally laid down for the State Senates as well as for that of the United States.

Many a reform movement, with a good basic case, does harm rather than good by taking an extreme position. The fate of the Prohibition Amendment, so joyfully repealed after 15 years of unhappy operation, may well be recalled. In the case of reapportionment, State legislatures which have failed to reform are now being pushed by judicial command toward actions which could produce results far more serious than bootlegging. And this gives lawmakers in the State capitals a grievance with which to cloak recalcitrance.

Thus the Maryland Senate, angered by the demand that it be made over in a more democratic image, responded with a resolution denouncing the federal judiciary, under Supreme Court guidance, for "usurping" legislative functions. The Annapolis body could cite good authority for its resentment. In his dissent in the Tennessee case Mr. Justice Frankfurter emphasized that: "The framers [of the Constitution] carefully and with deliberate foresight refused so to enthrone the judiciary."

The Pandora's box of troubles opened by the Ten-

nessee case is now demonstrated by the antagonism of judiciary and legislature in a number of State capitals. Maryland's experience is exceptional only to the extent that the "Committee for Fair Representation" there has indulged in unfair argument. It cites as scandalous the fact that 24 per cent of the State population now elects 66 per cent of the State senators. To this the Senate at Annapolis tartly replies: "What of it?" And a glance at the composition of the federal Senate emphasizes the validity of that retort.

Since the reapportionment movement has so much justification behind it, why does it arouse antagonism from many who would like to see its reasonable objectives accomplished?

One reason, clearly, is New Frontier willingness to use the judicial process as a tool of centralizing policy: to dictate, through the Supreme Court if other pressures fail, just how the once supposedly sovereign States shall be governed.

Behind this explanation, however, lies one that is more subtle and therefore even more disturbing. It is the widespread misunderstanding of political fundamentals which accepts at face value a demand for reforms so sweeping as to threaten destruction to institutions that have certainly served the country well. For this, inadequate education must be largely to blame. Dangerous ignorance is inevitable when school, and even college, teaching ignores the careful considerations on which our political institutions are based.

In his famous study of "Democracy in America," written some 130 years ago, Alexis de Tocqueville called our Constitution "the most perfect . . . that ever existed," but quickly added that "one is startled at the variety of information and the amount of discernment that it presupposes in the people whom it is meant to govern."

It was this complexity, and the basic reliance on balanced and decentralized power, that caused this brilliant French observer to predict eventual doom for the American republic. "Democratic nations," he concluded, "are most likely to fall beneath the yoke of a centralized administration" because "complicated systems are repugnant to it [democracy], and its favorite conception is that of a great nation composed of citizens all formed upon one pattern and all governed by a single power."

So, comparing the United States and Russia, de Tocqueville observed disconcertingly that, while starting from different points, with different theories of government, they "seem to tend toward the same end." Knowing "the principal instrument" of Russian theory to be "servitude," he hoped this would not happen.

The present effort to reform our State legislatures "upon one pattern" is meeting formidable local resistance. Khrushchev would say that in a well governed country such irritating opposition to centralized regimentation should not be tolerated. But it would have warmed de Tocqueville's heart.



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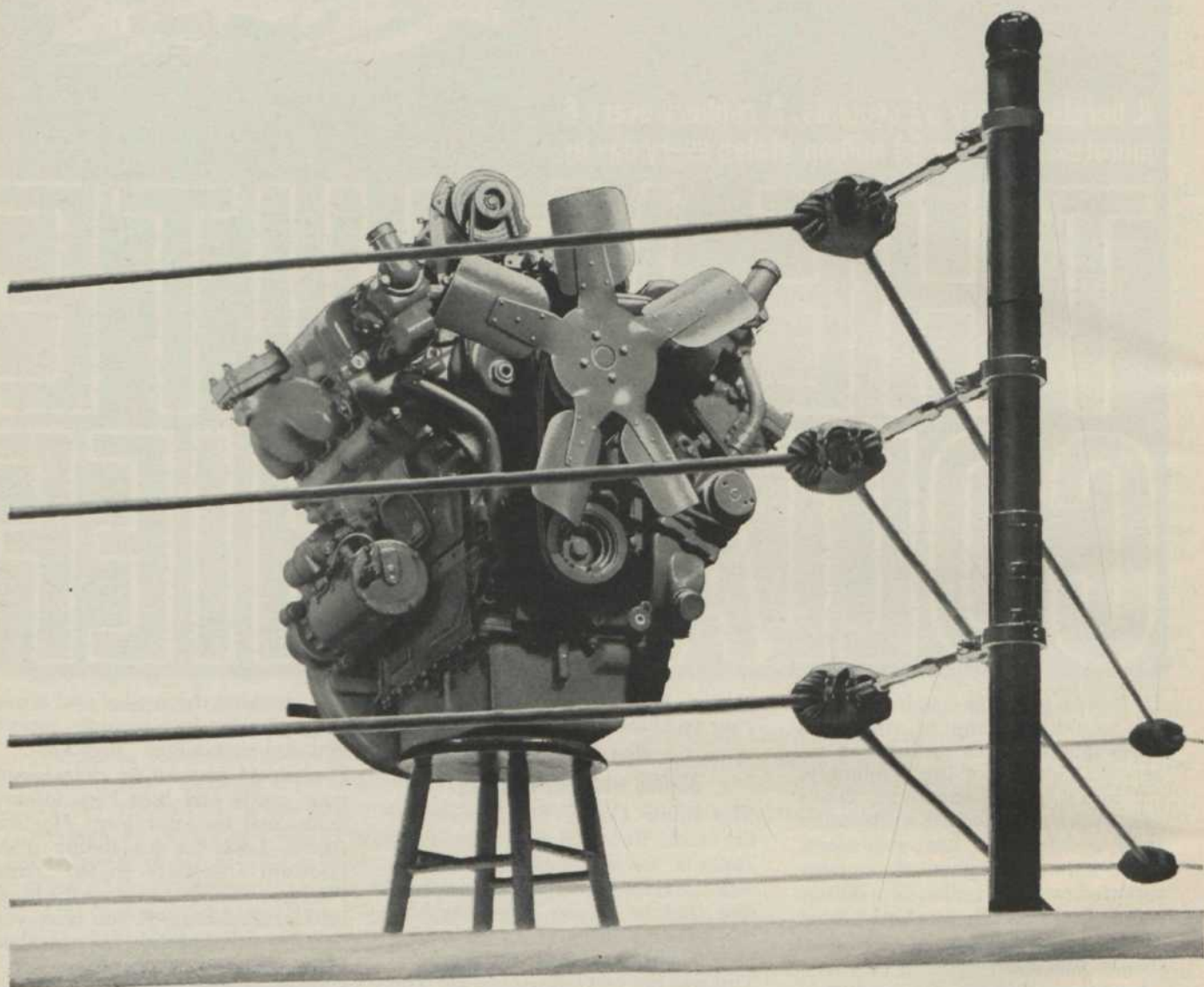
For expert counsel on determining your needs and how best to meet them, call on your local Hartford Agent. Look for his listing under Hartford Insurance in the Yellow Pages, or wherever you see the familiar Hartford Stag. If you have your own insurance broker, ask him about Hartford crime insurance service.



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WHAT RE-APPORTIONMENT MEANS TO YOU

Shift to greater urban power in state legislatures is certain to be reflected in the business climate

THE CURRENT reapportionment of state legislatures as a result of the Supreme Court's Tennessee decision has profound implications for business and government.

The implications are under study by such diverse interests as the Advisory Commission on Intergovernmental Relations and private economic consultants who are advising clients as to how developments may influence the over-all economy, a particular industry or the competitive position of a given firm.

Although authorities do not agree as to the long-range consequences, their comments emphasize the immediate need for business to focus more attention on state legislatures and especially on the reapportionment process.

The most immediate impact of reapportionment will be at the state and local levels. Issues that will be raised with renewed vigor include metropolitan area problems; zoning powers, mass transportation, stream pollution, airports, roads, housing and urban renewal.

Existing programs at the state level, such as distribution of funds for education and other purposes, will be under pressures to change

formulas to benefit urban interests. So will tax, regulatory and labor legislation, plus the whole range of issues involving the federal role in state economies.

In advance of final reapportionment in any state—and this could be months or years away—the businessman might suggest its effects on his own business by asking:

"What would have happened, say, to the right-to-work bill in my state if the legislature had been controlled by the urban population, with its strong, politically active segment of organized labor?"

"What will happen if unions start carving up my congressional district?"

In 1961, the AFL-CIO Committee on Political Education ranked reapportionment legislation with workman's compensation, unemployment insurance, wage and hour laws, industrial safety, education, taxation, right-to-work and antipicketing laws as issues to watch at the state level.

Even earlier, John Forney Rudy, assistant to the executive vice president of the Goodyear Tire & Rubber Company, wrote plant managers:

"State legislators and governors

next year will start shaping the national political scene for the next ten years." He says this goes double today.

In a recent issue, *Missouri Business*, published by the Missouri State Chamber of Commerce, stated its concern that increased representation for large cities in Missouri would have a detrimental effect on the good business climate.

"Not only would the good business climate be adversely affected but the economic growth of the entire state could be curtailed as legislation for big city special interests, such as some union leaders' proposals, sacrifices the interests of the state," said the magazine, and added at another point:

"If economic growth and industrial development are stifled in out-state Missouri the larger cities will also suffer."

Thomas R. Reid, manager of civic and governmental affairs for the Ford Motor Company, was asked what would result under the most far-reaching reapportionment measures being pushed in his state of Michigan and elsewhere across the nation. His reply:

"All of the traditional concepts

WHAT REAPPORTIONMENT MEANS TO YOU *continued*

of what to expect from state legislatures would be changed."

Mr. Reid speaks from a practical observation. In Michigan the AFL-CIO has tirelessly backed a court suit challenging the principle of representation in the Republican-controlled legislature.

He is one of several figures in business, politics, government, the law and the universities whom NATION'S BUSINESS asked to comment on the implications of the decision in the Tennessee case.

A synthesis of their views indicates:

1. Changes unquestionably will



State legislative activity will rise sharply
as urban forces exercise newly won power

come in many states, especially those where the imbalance of representation is greatest.

2. The systems to emerge will vary widely among the states, depending on guidelines laid down by the courts or adopted by legislatures themselves. This flexibility will permit all interests—including business—to have a part in influencing the outcome.

3. Legislative activity will pick up sharply in realigned legislatures as urban interest groups seek to exercise their newly won power. Many battles over issues of concern to business will be refought.

4. A less conservative composition of state legislatures ultimately may be reflected in a more middle-of-the-road U. S. House of Representatives.

5. Whether increased demands on state legislatures will reverse or retard the expansion of the federal role in the economy is sharply in dispute.

6. The major political parties, both of which claim that reapportionment will benefit them, will be strongly influenced in their efforts to appeal to new suburban strength.

7. Reapportionment in no state

will be a one-shot development, either from the standpoint of the courts, legislatures or the citizens. New population shifts alone will insure periodic review.

In the Tennessee decision, the Supreme Court simply said that 11 citizens of that state are entitled to the protection of the courts from being shortchanged in their voting rights.

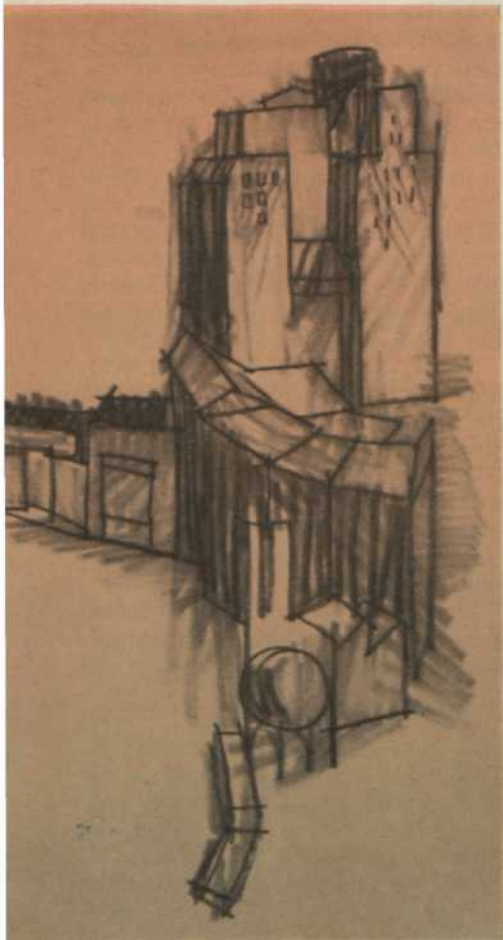
Principle unclear

Invoking the constitutional guarantee of equal protection of the laws, the Court affirmed that challenges of the Tennessee reapportionment system, and by precedent those in other states, are a proper area for the courts to enter in the protection of rights.

The ruling set off a chain of new reapportionment moves in many states, where courts had shied away from the issue as the "political thicket" that Associate Justice Felix Frankfurter labeled it in 1946.

But the ruling, while barring "invidious discrimination" against voters, set out no standards for the degree of equality of representation except to say that they must be reasonable.

The court decision came at a





time when explosive growth, especially since World War II, had brought to the suburbs people and problems but no proportionate increase in political power.

The reasons are twofold: First, population as a basis for representation in state legislatures has often been modified by geographical and other limitations. Second, many rurally dominated legislatures have been unwilling to grant even the limited increase in representation provided for in their own constitutions.

Cities are somewhat underrepresented in some areas, and overrepresented in others.

A study by Paul T. David and Ralph Eisenberg of the University of Virginia's Bureau of Public Administration, "Devaluation of the Urban and Suburban Vote," shows that the counties embracing Atlanta, Miami, Houston and Dallas are the most underrepresented of the central city counties.

But the most severe imbalance is found in suburbs throughout the country.

Least represented suburban counties are in Georgia, Maryland, Virginia, Louisiana, Kansas, Minnesota, Colorado and Illinois.

Other studies have shown that the suburbs also are underrepresented in Congress.

The most far-reaching consequences of the reapportionment movement are foreseen by Charles S. Rhyne, the Washington lawyer who successfully argued the Tennessee case before the Supreme Court.

He sees the possibility of a top-to-bottom reorganization of some state governments on a theory of representation approaching complete equality. "You can't use geography to dilute votes," he says.

Mr. Rhyne says that reapportioning agencies may abandon or redraw county and other jurisdictional lines that traditionally have served as the basis for representation.

In support of this, he points out that such divisions have become

blurred by interests cutting across them and that court rulings do not regard them as sacred.

Reverse trend?

Uneconomical counties where political kingdoms are supported largely by state financial aid may be merged, he says. Modern business methods, ranging from mechanized record-keeping to manager forms of government, could be applied as in some urban areas.

Mr. Rhyne is convinced that people will look to their statehouses, which are more accessible and subject to local influences, for the solution of local problems. He adds that the states already have—but don't use—many powers in areas the federal government has entered in the absence of state activity.

On the immediate prospects for reapportionment under the Supreme Court ruling, lacking as it did any specific standards, he says:

"The courts aren't going to strike down anything that comes fairly close to providing reasonable equality to voters. I think they will allow the legislatures a certain amount of leeway. I don't think they'll apply a slide rule to this situation."

What if legislatures delay action so that the courts themselves undertake the task? "They'll use a slide rule."

Mr. Rhyne's view on decreasing dependence on Washington is shared by Arthur E. Burns, professor of economics and dean of the graduate council at the George Washington University.

A former consultant to the Joint Federal-State Action Committee set up by President Eisenhower in 1957 to promote the transfer of certain federal functions back to the states, he recalls that progress in this area was retarded largely by rural forces dominating the legislatures.

This assumption is questioned by William G. Colman, executive director of the Advisory Commission on Intergovernmental Relations, which succeeded the federal-state committee.

First, he questions that there has been any clear pattern of discrimination by rural interests against urban. His view is that the pull of party loyalties largely blunts the conflicts between divergent interests. Even granting increased activity at the state level, he asks, what guarantee is there that state politicians, more inclined to support popular programs than to vote the necessary taxes, will not look toward a larger pot of money in Washington?

Conflicting views

On the vital question of representation in many state senates, which could offset urban strength in the lower houses, Mr. Colman raises two conflicting points:

1. Geographical representation in upper houses under the little federal principle, analogous to the makeup of Congress, can be challenged on grounds that counties and cities draw their powers solely from the states and are not sovereign entities.

2. If sovereignty stems ultimately from the people, how can a court overrule the will of an electorate that votes to base senate representation on geographical districts?

He points out that California voters recently refused to overturn such a system.

Or, as Mr. Reid puts it: "Does this mean that, when the voters adopt a plan by ballot, they are wrong?" (This issue, also involved in Michigan, was not touched upon in the Tennessee case.)

Equally restrained in his interpretation is Royce Hanson of American University, who combines long academic interest in reapportionment with leadership in the Committee for Fair Representation which won its reapportionment fight in the Maryland Court of Appeals.

"This may not be the boon that some liberals think it will be," says Mr. Hanson, who calls himself a liberal. He sees the evolution of new
(continued on page 67)

Cold war prisoner reveals

RED TRADE

Profits now rival politics as communist goals, says

COMMUNIST LEADERS of the European satellites are placing far more importance on the economic benefits of foreign trade than many Western analysts suspect.

This is one of the conclusions drawn by economist Frederic L. Pryor, who spent three years in Germany studying communist bloc trade. Earlier this year, Mr. Pryor was released by East German authorities after being held without charge for five and a half months on suspicion of spying. His release was all but eclipsed by the dramatic swap of Russian spy Col. Rudolf I. Abel and U-2 pilot Francis Gary Powers.

Mr. Pryor, who firmly maintains his innocence of any spying activity, has quietly resumed his research and completed a book, "The Communist Foreign Trade System," which will be published later this year by the M.I.T. Press.

In this exclusive interview, Mr. Pryor discusses the broad area of communist bloc trade and probes its strengths and weaknesses, its painful mistakes and resulting changes. He also assesses the role of the Soviet Union, its changing patterns of economic discrimination against satellites and "capitalist innovations."

Mr. Pryor discusses the political implications of bloc trade developments and the threat they pose to the West.

A graduate in chemistry of Oberlin College, and economics at Yale, Mr. Pryor went to Germany to gather material for a doctoral thesis.

His primary sources were published materials from the bloc countries, interviews with economists and government officials in East and West Germany, unpublished minutes of bloc conferences and student dissertations in East Berlin which he was given official permission to read. He gathered insights, as well, from interviews with East German defectors.

On August 25, 1961, Mr. Pryor entered East Berlin to hear a speech by Communist Party chief Walter Ulbricht, then went to visit an East German friend who had, unknown to Mr. Pryor, fled a few days earlier. He was arrested by the secret police who had laid a trap for the fugitive's acquaintances.

During his imprisonment, Mr. Pryor says, "Great

pressures were placed on me to incriminate the people whom I had interviewed in East Berlin."

Mr. Pryor is convinced that he was finally released because the communists realized that he was a poor prospect for a propaganda trial.

Since his return to his family home in Ann Arbor, Mich., he has accepted a position as assistant professor of economics at the University of Michigan. He also plans to continue research on the bloc, foreign trade and underdeveloped countries, and to engage in consulting work.

Mr. Pryor, what were your major conclusions; do they clash with beliefs held in the West?

First of all, I found that economic considerations enter into foreign trade a great deal more than had been previously suspected, since communist leaders themselves have often emphasized the political nature of foreign trade. Without denying this political aspect, I contend that economic factors play an important role and that up to now Western commentators have neglected these factors.

Second, I found that, in setting the prices at which the East bloc nations buy and sell among themselves, there was great discrimination on the part of the Soviet Union up to about 1955. After that, however, I found that the pattern is mixed and that the Soviet Union has been using approximate world market prices in its trading within the bloc. I would not deny that there is price discrimination by the Soviet Union with some bloc countries, but not with all.

Third, I found that economic integration of the East Bloc nations is not moving ahead as fast as the communists have claimed. There have been impressive gains, but right now the Council of Mutual Economic Assistance faces problems of deciding the relative profitability of production in each country, which as yet it has not been able to solve adequately.

What lessons can we draw from your observation on the role of economics in communist planning?

Well, the communists are interested in getting the

SHIFT

economist Frederic L. Pryor

most profitable trade deals they can. They are becoming more and more aware that they can increase the growth rates of their economies if they do more trading.

Is there an increased emphasis on specialization within the bloc?

Yes, the communist nations have paid growing attention to the benefits of specialization of production. Moreover, all have begun to try to calculate the profitability of foreign trade more accurately. Until 1955, they were unable to tell whether it was profitable to export certain goods because the price structure in each nation was distorted and did not reflect relative costs of production.

What are the main characteristics of communist bloc economic development since World War II?

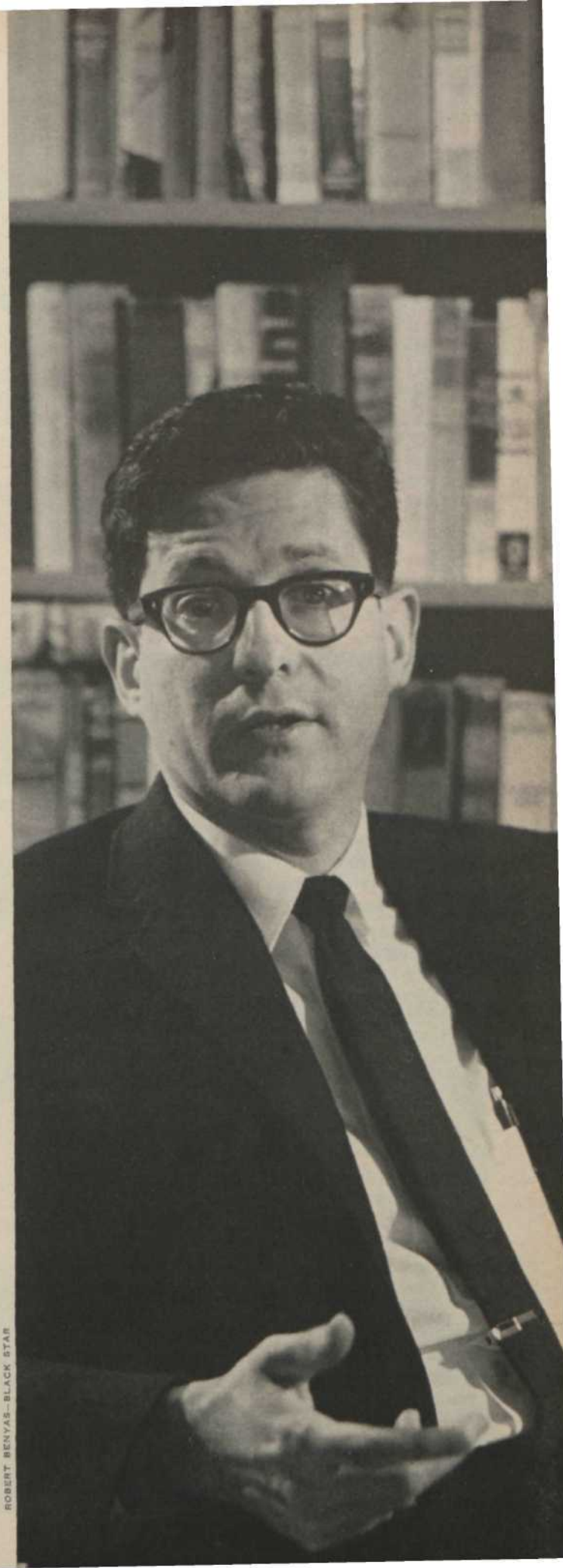
The main postwar development was a decrease in trade and an increase in national self-sufficiency in all the Eastern European nations. This followed the pattern set by the Soviet Union 20 years before.

I might note here that East-West trade was cut deeply by the embargo on strategic materials which the West instituted in 1947 and 1948.

And as the bloc nations also reduced trade so as to become economically independent of the West, they did not increase very much the trade among themselves; that is, to take up this slack.

Did this create problems?

This created three main problems: First, it meant that many of the countries invested in extremely unprofitable branches of production. For instance, in the beginning all of them felt it necessary to build large steel mills. For some of them this made good sense. For Hungary and Germany, however, it was absurd since they do not have the adequate iron and coal deposits and therefore had to import these materials. The net result was that it cost both countries more to import the coal and iron ore necessary to produce a ton of pig iron or steel (continued on page 42)



ROBERT BENYAS—BLACK STAR

Old folks reject health plan

Survey discloses strong opposition to compulsory tax scheme

ST. PETERSBURG, FLA.—A look at this sunny stronghold of the elderly would give pause to backers of health care for the aged through the social security system.

Residents of this Gulf Coast area, a survey reveals, are about two to one against the Kennedy Administration's controversial measure now before Congress to raise social security taxes to pay hospital and nursing home bills for some of the nation's senior citizens.

What is particularly significant is that Pinellas County—the sandy, fast-growing county encompassing St. Petersburg—has the nation's highest proportion of persons 65 or older and probably the highest mix of those qualified for the proposed federal health plan.

Interviews with residents here show several other meaningful signs:

Those who oppose health care under social security seem to be informed on the provisions and potentials of the legislation. Many of the most avid supporters are ill-informed about what the bill would do. Lots of elderly persons who see health care of the aged as a serious national problem feel the Administration's bill falls short of meeting the need.

The Kennedy Administration, in tandem with union labor, liberal political and social welfare organizations and many senior citizens' clubs, has been building a wave of national support for the proposed health legislation.

Doctors, insurance groups, businessmen and conservatives generally oppose the Administration plan, not only as a poor solution to the aged's health care problem, but as a potential threat to high medical standards and progress. They also see it as another major advance toward the centralized power of the welfare state.

Many of the elderly themselves, whom the bill purports to help, hew to the philosophy typified by a spry 76-year-old widow whose home here is a trailer: "I'll

have nothing to do with that government medicine. I can take care of myself and so can anyone else who has any gumption." She spends \$21 a month for private health insurance out of her total income of \$60 monthly from social security and \$50 from a military survivor's pension.

What bill would provide

The Administration health measure, known by the names of its chief sponsors as the King-Anderson bill, would offer certain kinds of treatment or facilities for the 14.2 million older citizens eligible to receive social security payments or railroad retirement benefits even if they were not drawing such benefits.

Under the bill, the government would pay for up to 90 days in a hospital. But the patient would pay \$10 a day for the first nine days. Government would pay for up to 180 days in a nursing home after release from a hospital. It would pay for home health services, up to 240 visits a year, and for nursing, therapy and drugs. And it would pay out-patient hospital diagnostic costs such as X-rays or laboratory tests, above \$20, which the patient would be charged.

Private doctor or surgical bills outside of the hospital or nursing home would have to be paid by the patient. Using social security funds, the federal government would pay hospitals and other health facilities and their personnel under contracts providing for "reasonable costs."

The social security tax would be increased one quarter of one per cent each on the employe and employer and three eighths of one per cent on self-employed. The wage or salary base subject to tax would be raised from the present \$4,800 to \$5,200 a year. A person eligible to receive social security or railroad retirement benefits would qualify for health care whether or not he was still working and regardless of how well he was fixed financially.

Federal officials estimate the initial cost of the pro-

gram at \$1.2 billion, not counting administrative expenses. Insurance actuaries figure \$2.5 billion would be closer to true costs the first year, with much higher expenditures later.

The 65-and-older population in the U. S. now exceeds 17 million. More than 15 per cent of the potential voters in the nation are 65 or more. The children, grandchildren or other relatives on whom the elderly depend for financial or other aid are also being appealed to for support.

Miniature battleground

Pinellas County is a miniature, condensed battlefield for this national issue. The county has a population of more than 375,000. But, unlike most other areas, some 25 per cent of the residents here are 65 or older. Not all of them would be eligible to receive

health care under the Administration's bill. But about one in five of the county's residents would be. So this county has not only the highest percentage of aged but the proportion of its population that would be eligible for health care is twice the national average.

According to political logic, this should be a fertile bed for support for the King-Anderson health bill. The old-age lobby groups have been busily whipping up fervor for the Administration measure. The Democratic congressional candidate, Grover Criswell, is making health care his major campaign issue. The principal newspaper in the county, the *St. Petersburg Times*, has backed the Administration health plan. And this is an area of modest—not affluent—income. The average payment to social security recipients is \$80 a month, compared (continued on page 78)

Strong opposition to Administration's health plan showed in poll by Congressman Cramer of old folks. Big stack of letters is from opponents; smaller stack from writers in favor



GEORGE JAMES

NEW LOOK AT BUSINESS FUTURE

Survey shows general optimism

BUSINESS will improve moderately in the next 12 months.

This is the opinion of a majority of top corporate officials surveyed by the editors of NATION'S BUSINESS.

Most company leaders expect rising sales through the middle of next year and describe themselves as optimistic about business prospects in general.

Nevertheless, analysis of the returns shows that many executives have serious reservations about the degree of bounce in business activity, and some feel that a downturn could be triggered by several forces, including—notably—the attitude of government toward business.

Replies to the mid-year poll were received both before and after the dramatic sell-off in the stock market. Responses made after the stock slump did not differ materially in tone from those received earlier.

Roughly half of those participating in the survey are presidents of their firms. Questionnaires went to high-ranking managers in major companies in a cross section of business and industry.

Here are highlights from the over-all results:

Forty-seven per cent of the businessmen polled look for economic conditions to improve in the next 12 months. Forty-one per cent expect them to remain about the same.

Fifty-six per cent characterize themselves as optimistic about the business outlook.

Seventy-one per cent anticipate a sales rise for their companies. Only two per cent expect a decline.

Sixty per cent predict they will keep their

present number of employees over the next 12 months. The remainder were about evenly split in forecasting more hiring or a decline in employment.

The business mood

While optimism prevailed it was—for the most part—tempered with caution.

"I believe business will improve over last year but not as much as many have expected," said Wayne A. Johnston, president of the Illinois Central Railroad Company.

"I feel the public will be buying and business, but not profits, will increase," commented John F. Bohler, vice president of Van Waters & Rogers, Inc., wholesalers.

The comptroller of a large petroleum company noted that "one of the main forces of an expanding economy, the consumer, has yet to show full confidence in the present recovery. However, this confidence should manifest itself in the second half of 1962."

The chief economist for an automobile manufacturing company said he was optimistic about the remaining months of 1962 but looked for a cyclical downturn in 1963.

Many emphasized that business confidence is precariously balanced at present.

Sales prospects

Seventy-one per cent of the executives said they expect sales of their companies to rise in the next 12 months. Twenty-two per cent predicted sales would remain at about the same level, and two per cent said they look for a decline. Others had no comment.

By comparison, 86 per cent forecast a rise when NATION'S (continued on page 52)

Presidents list challenges to business

In THEIR SURVEY of key business leaders, the editors of Nation's Business asked: "In your opinion what are the biggest problems which business as a whole will face in the period of the next five to ten years?" Here are the answers which six company presidents gave to the question:



"Big government, big labor and taxes, with business being the whipping boy for all of them."

George D. McConnell, President, Munsingwear, Inc. Minneapolis



"Holding prices in line, so that competition from outside the country will not too seriously affect business."

James D. Edgett, President North American Van Lines, Inc., Fort Wayne, Ind.



"Loss of individual initiative because of government controls, interference and red tape."

W. P. F. Brawner, President W. P. Fuller & Company San Francisco



"Regulation and taxation."

M. E. Frailey, President The Greyhound Corp. Chicago



"Normal problems of efficiency and adjustment plus a changing political climate."

Raphael Malsin, President Lane Bryant, Inc. New York



"Provision of reasonable profit margins in the face of increased material and labor costs and increased government intervention."

Donald Bittinger, President Washington Gas Light Company, Washington, D.C.

PHOTOS: SENBERT, SHEA, STRESHINSKY, LIEBERMAN, MOORE, PURCELL



NEW LOOK AT BUSINESS FUTURE

Investment speed-up expected in '63

IN THE NEXT 90 days nearly every business executive in America will sit down to ponder an important decision. It's in this period that executives will ask these questions:

1. Shall we boost plant and equipment expenditures, cut them, or let the program ride as is?
2. If we decide to increase spending, what should the money go for?
3. What would be the best timing for expenditures?

How these questions are answered will be especially important to future national economic progress as well as to the companies themselves. Investment normally pays off in two to three years. A reduction in expenditures could foreshadow new business problems.

So could wrong decisions. Spending the right amount for the best equipment at the

right time will enrich profit potential for years to come. But timing is crucial.

Current indications are that plant and equipment expenditures will set a new record this year. The amount anticipated in U. S. Department of Commerce surveys is slightly more than \$37 billion. The previous high was 1957, when slightly less than \$37 billion was spent. The need for plant modernization is becoming so compelling that it is expected to override other considerations. Next year's spending is likely to rise to the neighborhood of \$42.5 billion.

For 100 years (the period for which reasonably reliable statistics are available) Americans have been plowing back approximately a fifth of total production into new investment. Now the proportion of new capital investment is below that average. Plant

and equipment expenditures constitute a large part of total private investment. Expenditures here show the same trend.

From 1951 through 1957 total U. S. investment in new plant was in line with the 100-year trend—that is, the proportion of re-investment was roughly the same as it was for the long term. Beginning in 1958, expenditures fell. If new investment this year were equal to the proportion of investment for the long term, new plant and equipment expenditures would be roughly \$5 billion higher than is now expected.

The reasons for this apparent lag—as well as for the record expenditure—can be understood if you examine some of the conflicting factors that must be considered in planning for the future. They include:

- ▶ Political environment.
- ▶ World situation.
- ▶ Technology.
- ▶ Economic climate.

Political environment

Businessmen are worried about government controls and interference in business operations, as well as spending and taxing policies. The extent of worry is shown conclusively in a new NATION'S BUSINESS survey of management attitudes about the future (see survey details on page 36).

Here's a sample comment:

"I would hesitate to expand in any general sense—only in a specific situation where the area is comparatively unaffected by the ups and downs of heavy industry."

Another executive says the Administration's actions have "definitely made us hesitant." Says another, "There's little encouragement to build a property to produce without a profit."

There's an element of "unpredictability and probable detriment to business. Too much government control, too militant," says another.

"My feelings are decidedly mixed," one executive told NATION'S BUSINESS. "I believe the President understands the importance of a free economy but is a controller at heart, and in the end will place economic vitality second to political objectives."

On the whole, businessmen have an uneasy feeling about government actions and policies. Throughout the survey are comments that Washington seems to be devoted to welfare government. There are complaints of "irresponsible government spending and stifling taxation," "little practical understanding of what it takes to make business click."

The Administration is acutely aware of business complaints. They are not disregarded. Much time is devoted to inner-circle discussions of ways to promote better business

acceptance of government policies. New Frontier spokesmen frequently make vigorous efforts to quiet the fears of businessmen. The President himself comments often.

Yet the fears of businessmen go on, spread, and multiply. An executive in the Middle West told a NATION'S BUSINESS editor: "The government seems to think any kind of wage settlement is noninflationary. But any kind of price increase is inflationary." He calls this a double standard.

Businessmen fear government controls—indirect as well as direct. They distrust taxation to finance welfare-type programs that destroy individual incentive and initiative. They bridle at the prospect of mounting federal debt with consequent inflationary pressures.

These attitudes mean, in general, that businessmen do not feel comfortable enough about

POLITICAL ENVIRONMENT

Businessmen worry about policies that could lead to new inflation

WORLD SITUATION

Current tension creates question about planning for company growth

TECHNOLOGY

Major breakthrough in machinery could provide sizable cost cuts

ECONOMIC TRENDS

Need for modernization overrides other forces causing hesitation

the current political environment to invest large sums in facilities which suppressive taxation and government policies may prevent them from operating profitably.

A change in businessmen's attitudes could be shaping up now. "It will take a lot of action, though," explains one executive, "to point this attitude in an optimistic direction."

Just how much the new depreciation rules will inspire businessmen to boost their spending for new plant and equipment cannot be ascertained this soon. It seems relatively certain, though, that the larger impact will come next year.

Another action that is pending before Congress could actually have a depressing impact, although intended by the Administration as a stimulant. This is the tax-credit plan. It involves a tax allowance for a portion of funds spent for new

(continued on page 61)

A LOOK AHEAD by the staff of the

Outdated taxes linger on

(Communication)

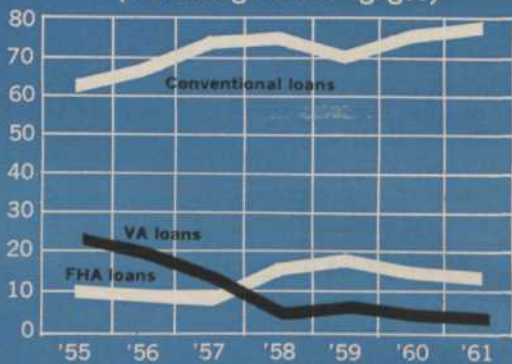
Credit policy changes studied

(Credit and finance)

Signs point to better business

(Marketing)

WHERE HOME LOANS COME FROM
(Percentage of mortgages)



Source: Housing and Home Finance Agency

AGRICULTURE

Trade agreements with the European Common Market which went into effect July 1 will have an impact on U.S. agricultural exports, which are about one third of our total exports to the Common Market.

Through these renegotiated agreements we have obtained fixed tariff concessions for about 70 per cent of our agricultural shipments to the Common Market. Exports should increase for cotton, soybeans, hides and skins, tallow and certain fruits and vegetables. Concessions for other products are less favorable, particularly those for tobacco, pork, variety meats, lard and fatback.

Outside the agreements are 30 per cent of our agricultural shipments to this area. On these we will face variable import levies designed to offset the difference between world prices and the higher support price objectives within the Common Market. Under this system our exports of wheat, rice, feed grains, and poultry products could decline.

Whether our agricultural exports to the Common Market increase or decrease also depends on obtaining further favorable fixed tariff concessions. This in turn hinges on the final outcome of the Trade Expansion Act now pending in Congress.

COMMUNICATION

There is considerable elation among passenger transportation executives over the long awaited repeal of the 10 per cent excise tax on pas-

senger fares. Not so among communication executives. The excise tax on telephone, telegraph, and related services will remain on the books, disregarding that fact that this and the passenger tax are directly related, and that the factors which justify repeal of the tax on passenger travel are equally valid for removing the tax on communication services.

These taxes were enacted during the second World War specifically to discourage use of such facilities. We have retained the taxes in spite of the fact that they have acted as a drag on these industries, and ignoring the existence of unused available capacity.

Both the passenger and communication industries are providing services in the public interest. To burden either of them with special taxes which inhibit these services seems incongruous.

CONSTRUCTION

Look for continuing expansion of the conventional financing share of the mortgage market.

Strong gains in percentage of total dollar mortgage recordings (\$20,000 and less) have been registered, generally, over the past seven years by this sector (see chart above).

Competitive factors which generated large amounts of Federal Housing Administration and Veterans Administration loans in past years are generally on the wane. Conversely, the competitive posi-

tion of conventionals gets stronger.

The FHA and VA loan programs are limited by arbitrary interest rate ceilings. The VA sector has exhausted part of its special market and is now in the phase-out period. The FHA sector is being loaded down with added types of required determinations and other impediments.

Conventionals, on the other hand, are benefiting from moves toward better terms and greater marketing flexibility.

Some fluctuations in market shares must be expected, since political decisions can produce spectacular, although usually temporary, changes in the government-operated programs.

CREDIT & FINANCE

Those who depend on federal credit to transact business should keep a close watch on the President's Committee on Federal Credit Programs.

Appointed in March, the Committee includes the Secretary of the Treasury, Director of the Bureau of the Budget, Chairman of the Council of Economic Advisers, Chairman of the Federal Reserve Board.

Due Nov. 1, 1962, the Committee report to the President will try to define the impact of these programs on the total economy, their effectiveness and the policies employed in administering them.

This timing would give the President an opportunity to study and evaluate the recommendations of

Chamber of Commerce of the United States

the Committee in preparation for submitting legislative proposals.

FOREIGN TRADE

The Administration's proposal to tax unremitted earnings of U.S. foreign subsidiaries and the objectives of the Trade Expansion Act of 1962 are in direct contradiction.

The Trade Expansion Act of 1962 is intended to provide the President with bargaining power through which to gain freer access for American-made goods in foreign markets, to increase U.S. exports, and improve our balance of payments.

Inconsistency of the two proposals stems from the apparent failure of the Administration to recognize the fact that private capital investment abroad does not constitute a net drain on U.S. resources, but benefits the balance of payments account by expanding markets for our products and by increasing the ultimate return flow of taxable income through reinvestment of earnings.

Remittances of income currently are larger than the outflow of new funds going into investment abroad.

The frequently heard argument that foreign investment means the export of American jobs is not borne out by the facts. Many U.S. manufacturers attest to the job-generating and export-increasing benefits of foreign investment.

GOVERNMENT SPENDING

Administration economists and budget makers are giving serious study to the capital budget concept. This provides for the treatment of capital expenditures outside the administrative budget.

Proponents argue that this is an adoption of sound business practice in providing for current operations out of current revenue and for capital improvements through borrowing. Administration officials agree there is considerable to recommend this type of budgetary treatment, but they foresee congressional problems.

Several members of Congress believe that federal aid to education, rehabilitation, retraining and a myriad of programs not involving

physical assets should be excluded from the regular budget. The argument is that these programs represent an investment in the future of the country and should not be paid for out of current operating funds.

LABOR

Sentiment is gaining in Congress for an amendment to the Davis-Bacon Act to provide for judicial review of all Labor Department wage determinations and administrative decisions.

The Davis-Bacon Act requires government contractors to pay prevailing wages determined by the Department for all federal construction jobs over \$2,000.

The Department, with no review, sets wages ranging from \$1.15 to \$5 or more an hour. Often the rates set are union rates rather than those prevailing in the area.

The Chamber of Commerce of the United States is urging that the Labor Department create a formal procedure under which prospective contractors may be heard on the question of prevailing rates applicable to particular contracts.

These procedural safeguards could then be buttressed by provision for appeal to the Comptroller General with eventual appeal to the federal district courts.

MARKETING

Despite some dour opinions about near-future business prospects, several signs point to continued business gains for the rest of the year. In comparison with year-ago figures, these signs show:

Total retail sales are running seven to eight per cent ahead; nine different trades report gains ranging from two to 18 per cent.

Prices remain fairly stable, both at wholesale and retail, despite increased demand. Competitive pressures are holding prices down in several markets. Thus, sales gains represent a rise in physical volume.

Inventory-sales ratio for total manufacturing and trade is sound. Rising sales have outpaced inventory accumulation in recent months.

Installment credit outstanding recently showed the biggest jump in two years. This is backed by a

10 per cent rise in personal savings since this time last year.

NATURAL RESOURCES

The nation's position of world leadership in electric power is unchallenged. Today the United States, with only one sixteenth of the world's population, has about one third of the world's power-producing capacity.

Some 400 investor-owned electric companies serve about 80 per cent of all the electric customers in the country.

In terms of net capital investment, electric companies form the largest industry in the land. In taxes paid and in annual spending for plant and equipment they rank first among all American industries.

To meet the power needs of the future, these investor-owned companies have announced plans for adding approximately 100,000 miles of electrical transmission lines to existing systems by 1970, and will nearly double power producing capability between 1960 and 1970.

Over the next 20 years, they are expected to spend more than \$140 billion for construction. During the same period, these companies will contribute some \$100 billion in taxes to support federal, state, and local governments.

TAXATION

Treasury proposals for revision of foreign-income sections of the Administration's tax bill require careful review by businessmen. The proposals are before the Senate Finance Committee.

Among them are 17 suggested changes—all qualified by the phrase "... under regulations prescribed by the Secretary or his delegate."

In many instances these regulations, yet to be spelled out by the Treasury, go far beyond mere administration of the proposed tax legislation.

In light of their own experience, businessmen are well qualified to give members in Congress useful background opinion and facts on whether or not proposals—such as the Treasury suggests—really do anything to make the bill more palatable.

RED TRADE SHIFT

continued from page 33

than it did to import these goods directly.

The second problem followed from the first: the industries were burdened with short production runs since they were producing only for their own domestic markets.

A final result was a series of all-bloc scarcities of certain raw materials. The nations which had previously specialized in producing these raw materials and exporting them to the others slowed down their production and began to divert resources and investment toward other sectors.

East Germany, for instance, went into production of non-ferrous metals such as copper and tin although its ores are incredibly low-grade.

What did this mean in terms of national growth, per capita income and general economic well-being?

It meant that national income grew slower than it would have had planners paid more attention to foreign trade.

You mentioned price discrimination in favor of the Soviet Union. Would you contrast the pre-1955 situation with the present?

Until 1955 the Soviet Union discriminated against the other com-

munist nations through manipulation of foreign trade prices. Perhaps the most blatant example involved Poland, which was forced to export hard coal to Russia at \$1.25 a ton although the world market price was \$12 to \$16.

Then, in 1956-57, the Russians eliminated their most severe price discrimination and began trading with satellite nations on the basis of western market prices. According to my figures for 1958-59, Poland received slightly better terms of trade with the Soviet Union than it did with other bloc nations. On the other hand, Bulgaria received more disadvantageous terms of trade with the USSR than in dealing with other communist nations.

The Soviet Union discriminated most against Hungary and Czechoslovakia and least against East Germany.

What caused the change?

Three factors. There was the death of Stalin and the slight liberalization that occurred in Russia after 1953.

A second factor was the growing discontent that price discrimination caused among the East-Central European countries. This was one of the factors that played an important role in the Hungarian revolution in 1956, as well as the change in the Polish government in 1956.

The third factor was, I believe,

an increasing realization by the Soviet Union that it must treat its satellites more fairly.

Could you determine any basis for the variation in discrimination?

I believe it is possible to explain the price discrimination on economic grounds. The nations which are economically more dependent on the USSR receive the most disadvantageous terms of trade with the Soviet Union. Conversely, the nations that are least dependent on the USSR or the nations on which it is most dependent receive the most advantageous terms.

Would you classify the Soviet economic role in the communist bloc as being based equally on self-interest today, although perhaps a more enlightened self-interest?

I would say that is very much the case. The primary bloc planning institution is the CMEA, on which every member nation has only one vote and in which decisions are made unanimously. This does not mean, however, that this unanimity is completely spontaneous; and I know of quite a few examples in which various countries have not hesitated to go against its recommendations. This they can do since the recommendations of the Council are not binding.

Although the Soviet Union wields a great deal of influence within the Council, I believe there has been a significant change from the authoritarian manner in which Russia made economic decisions for the bloc during the Stalin era.

Perhaps I'd better say a little more about the CMEA. Although founded in 1949, it did not become really active until after the death of Stalin. Then in 1956, it set up 12 standing committees on various economic areas, located in the capitals of member nations and consisting of representatives of their various ministries.

These committees have conducted studies leading to recommendations for standardization of products, specialization of production, increase of technological efficiency and, finally, for over-all goals for the bloc.

Stalin had tried wherever possible to cut the lines of communication between the bloc countries for fear of the emergence of an independent power bloc. However, Premier Khrushchev is strongly encouraging the development of the CMEA.

He does not share Stalin's fears?

I believe that Khrushchev foresees rather the merging of all com-

Watch for:

Foreign law can change U.S. business

Broad changes in antitrust law and enforcement are developing in Europe as a result of Common Market agreements. Here's how they will affect Americans in trans-Atlantic trade, or competing with imports.

Tougher competition is changing your job

Doing the same things faster is not enough in today's business climate. Managers must use more sophisticated strategies and tactics. Four recommendations to help you come out on top are offered in this article.

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Nation's Business



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Why is our bottom so high?

The Volkswagen Truck has a road clearance of 9½ inches. (Most other trucks only clear 7.)

That extra 2½ inches means your bumpers and tail pipes won't scrape bottom if you drive down a steep driveway or off a high curb.

It means big 8-inch rocks or ruts or tree

stumps won't tear up our bottom if you have to use the VW off the road.

And our bottom won't drag through snow or slush or mud or sand. (You won't get stuck too easily, either. The VW engine is in the rear. For extra traction.)

In heavy rains you can go through deeper water than others. (Some VWs are

even driven across shallow rivers.)

The Shelly Tractor & Equipment Company of Miami, Florida, takes our truck into the same mucky fields that tractors use. The VW doesn't bog down.

Of course, our truck isn't an amphibious tractor.

It just acts like one.



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"Our Plan has helped several employees out of a tough financial spot!"

SAYS JOHN R. NIPE of Coastal Business Machines. "Our employees value highly the financial security and peace of mind that the New York Life Plan gives them. We in management are particularly pleased with the excellent service we've received!"

Hundreds of firms with four* or more employees find New York Life's Employee Protection Plans help build morale, attract and keep high-caliber people. These plans offer a wide choice of valuable coverages including: life insurance, weekly indemnity*, medical care benefits, and major medical* coverage.

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IMPORTANT EXTRA SERVICE! New York Life offers Nyl-A-Plan, an employee insurance consultation service. A Nylc representative will help increase your employees' appreciation of their group insurance and other benefits such as Social Security. He will emphasize the true value of your employee benefit program and in many ways help you to get greater value from your employee benefit dollars.

NEW YORK LIFE
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Individual policies or group contract issued, depending upon number of employees and applicable state law. *Available in most states.

RED TRADE SHIFT

continued

munist nations into one large economic unit.

The communist trade bloc has been described as an Eastern European free trade area. To what degree have members profited from its potentials?

It's dangerous to draw parallels between the Eastern trading area and such trading blocs as the Common Market. Between the various communist nations there is little mobility of labor; there is also little mobility of capital. Furthermore, each nation maintains quantitative restrictions on trade with the others, rather than tariffs.

As to realizing the benefits, I believe there are some indications that the communists are developing a more efficient division of labor. I would cite Russia's construction of an oil pipeline to serve Hungary, Czechoslovakia, Poland and East Germany; East Germany's plan to increase imports of pig iron rather than produce it itself, and joint efforts to develop coal and sulphur resources in Poland, cellulose in Rumania, bauxite in Hungary.

What are the main strengths and weaknesses of the bloc today?

The main strength is that the communists have lost a great deal of the early dogmatism in planning allocation of productive resources. The main weakness is that they have not yet been able to develop criteria for deciding in which country it is most profitable to produce certain goods or raw materials.

To what degree are the communists adopting capitalist incentives in their domestic economies?

In all countries there has been some decentralization of decision-making so that the state planning commissions and ministries have less power, which gives the enterprises greater authority over their own production. There has been, furthermore, greater emphasis on rationalization of production and increasing labor productivity.

Finally, increasingly greater emphasis has been placed on managerial incentives to encourage greater productivity. However, with the exception of Yugoslavia, none of the satellite countries has abandoned its commitment to extensive central planning.

Do you see any built-in ceiling on the Soviet bloc trade volume?

I see no structural ceiling for the

"No, Charlie. It won't print money."

"But you said..."

"I said Royal McBee's new **Royfax 100®** can copy anything... with the greatest of ease."

"Well?"

"I mean there's no mess with this photocopier, Charlie. No chemicals to mix. No pans to swab."

"But you said it copies *anything*."

"Anything that's printed, pencilled, crayoned, ball-pointed or inked. Uncle Sam has a monopoly on copying money, Charlie."

"Shucks."

"And Royfax doesn't skip certain colors like some other photocopiers do."

"No?"

"And it makes offset plates in minutes—durable

enough for thousands and thousands of copies."

"No kidding?"

"See for yourself, Charlie. Call your Royal man for a demonstration of the new Royfax 100."

"What's the number?"

"Just look him up in the Yellow Pages, Charlie. *Under photocopy machines*. Or, write to Royal McBee Corporation, Department 9J, 850 Third Avenue, New York 22, New York."

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SPECIALISTS IN BUSINESS MACHINES

RED TRADE SHIFT

continued

development of communist trade. According to my figures, they are utilizing only about 50 per cent of their trade potential. The old Stalinist ideas of national self-sufficiency are not yet dead, and I believe that the Eastern European countries still do not have an adequate idea of the profits which they could obtain through foreign trade.

Are they still hampered, then, by dogma?

Only partly. With the increasing theoretical knowledge concerning foreign trade, many of the old dogmas have been gradually fading away.

What were the original goals of foreign trade?

As conceived by the early Soviet planners, foreign trade was supposed to fulfill three functions: first, the obtaining of needed goods and materials for the economic development of the Soviet Union; second, the obtaining of Western technology, that is, the acquisition of, let us say, machines so the Soviet Union could spare development costs; third, the achieving of certain political goals.

Has there been a shift in these goals?

From the Soviet point of view, only to the extent of aiding in the economic development of the satellites. In the Eastern European nations, however, greater emphasis has been placed on the profitability of trade.

In the Soviet Union, trade serves only a supplementary function in the development of the economy; in other bloc nations, it plays a far greater role.

How do the representatives of the trade bloc behave at the bargaining table?

From what economists from the bloc have told me, these negotiations are sometimes very heated and sometimes there have been breaches of trust. For instance, Poland promised to export coal to some of the other nations and reneged on this commitment in late 1956 and early 1957. An East German refugee reported that Russia, Czechoslovakia and East Germany replied by placing certain economic sanctions against Poland. This has not been confirmed or denied in the East bloc press.

Is there a threat to the West in the

developing strength of the communist trade bloc?

The Common Market countries and the United States will feel increasing competition from communist trade with the Western underdeveloped nations.

What danger does this pose in terms of political penetration?

In the West at present there are only a few countries in which the Sino-Soviet bloc supplies more than 20 per cent of imports; these include Iceland, Finland, Yugoslavia, Egypt. In all of these countries the East bloc has some political influence. For instance, in 1958, the Soviet Union was able to bring about changes in the cabinets of Finland and Iceland by applying pressure through foreign trade.

What can we in the West do?

There is no way in which we can stop these nations from trading with the East; and I do not think we should. However, I believe that the United States government should encourage an expanded Western program of trade with the less developed Western countries.

Did you observe any relationship between political freedom within the bloc nations and their economic relations with the Soviet Union?

No, I think it's difficult to draw any correlation between economic factors and political freedom. For instance, the freest nations in the bloc are Poland and Yugoslavia. The tightest dictatorships are found in Albania and Rumania. You can't say that the more underdeveloped countries are less free because East Germany and Czechoslovakia are the most developed countries and have less freedom than Poland.

My experience showed that the secret police of East Germany are the postwar equivalent of the Gestapo. The methods are a little bit more refined but the basic inhumanitarianism is the same.

How worried are the bloc nations about the Common Market?

They fear they may lose some of their Western markets. This has provided further impetus for the work of the CMEA and it's going to provide further impetus for trading with the other underdeveloped Western countries.

What have been the effects of the Western embargo on strategic materials?

Contrary to some Western economists, I believe that it had an important effect during the early

years, from 1949 to 1953-54. A great many short-run crises developed when bloc nations found that they could not import goods which they had previously from the West.

In its long-term effect, the embargo forced the Eastern nations to invest in branches of production which were quite high-cost.

In 1953, Stalin wrote that by the embargo, the United States, Britain and France contributed to the formation and consolidation of the communist world market. I believe he was partly right.

It's argued that more trade could increase the economically competitive position and war-making capacity of the Eastern European bloc. Would you comment on that?

I recognize the validity of the argument that increased East-West trade increases their military potential. However, there are two seldom-mentioned factors:

First, increasing East-West trade helps us, too; second, since the East bloc countries are more dependent on East-West trade, this would make any future embargo more effective.

What should be the guidelines for an enlightened western policy toward trade with the communist bloc?

United States policy should include the following points: denial to the East bloc of those goods which have direct military value; such goods are now exported by the West to the East. Second, I think we should maintain control lists on important materials and goods which the Western countries export to them so as to be able to include these goods in an embargo if the necessity arises. Here the Western nations have been somewhat lax.

You mean an embargo depending on how they're used and the political climate?

Yes, and I believe that we should draw up trade standards which both sides could accept to avoid some of the disputes concerning dumping, tariffs and discriminations which have made East-West trade on both sides more difficult for years.

I believe that we should work toward using trade as means of opening up these countries. If they're going to trade with us they should allow direct contact with the producers so that more mutually advantageous trade can be worked out rather than dealing through the foreign trade monopoly which they now have. **END**

The merchant who did something about the weather!



"Everybody talks about the weather, but nobody does anything about it." (Mark Twain.) This merchant got tired of losing business every winter because icy streets kept customers at home... decided he would do something about it!



So he brought up the problem at a Chamber of Commerce meeting, found everybody else was losing business too. Next step: to see to it that the city starts to use ice-melting salt, to keep streets "open for business" all year long!



Using facts and figures supplied by Morton Salt Company, a committee of businessmen convinced city government that bare pavements are good politics, as well as good business. That winter, streets were kept clean with Morton Safe-T-Salt.



Now business is up all winter long, regardless of weather severity. Shoppers are happy, so merchants are happy—voters are happy, so city government is happy. Moral: Mark Twain was a wonderful writer—but don't believe everything he said!

Bare pavements mean good business for everybody. But icy streets and sidewalks hinder traffic, annoy shoppers, slow down deliveries, endanger vital services.

Your city can't afford this—but what are the alternatives? *Sand, cinders and abrasives?* They won't remove ice and packed snow, are easily dispersed by wind and traffic, leave gritty pavements and clogged sewers. **Expensive de-icing**

chemicals? They cost up to twice as much as rock salt, yet actually do a less efficient job than rock salt!

Your best answer is Morton **SAFE-T-SALT***, a screened and graded salt


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especially prepared for ice control. **Safe-T-Salt** (rock salt) is not only the most economical ice-melting method... but also melts more ice.

Morton Salt Company has prepared an informative **Safe-T-Salt** movie, "Winterlude." Your Morton representative will be glad to arrange a showing for you and your associates. Just give him a call.

*Safe-T-Salt is a trade-mark of the Morton Salt Company.



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THIS MAN'S
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PROBLEM?**

*"If only we knew when customers' stocks
were low, we'd get a lot more reorders"*

**Solution: call Long Distance between
sales visits to check customer needs!**

Follett Publishing Company, Chicago, makes Long Distance calls regularly to book stores, jobbers and wholesalers to keep close tab on their inventories and ask for reorders.

It's paying off—in extra business *and* good will. Recently, this use of Long Distance helped the firm

pick up an order for 16,000 books from a chain of 160 retail outlets.

Many business problems are really communications problems. And they can be solved by effective use of Bell System services such as Long Distance . . . Private Line Telephone . . . Teletypewriter . . . Data Transmission . . . Wide Area Telephone Service. Talk with one of our Communications Consultants about them. Just call your Bell Telephone Business Office.



BELL TELEPHONE SYSTEM

Solve business problems with communications

PERSONAL OUTLOOK

Summer home in the forest

If you're considering a summer home for your family don't overlook the national forests.

About 18,500 private homes are located in almost all the 150 forests. Most are in western states.

Sites for private use are usually near first-rate fishing, hunting, boating.

The Agriculture Department's Forest Service leases the sites. There are two kinds of lease: annual and term. Term leases are usually for 20 years.

Annual fees range from \$25 to about \$200.

The permit is not for sale. Only the home is salable; that's a private matter between buyer and seller. Before a sale is consummated, the Service must issue a new permit.

About 25 per cent of the permits turn over annually. Demand is heavy.

Most homes are two-three room wooden buildings. They must meet the Service's construction standards. Sites often are one half to three fourths of an acre.

To apply for a summer home contact the supervisor of the forest in which you're interested.

Prospective purchasers then negotiate with local real estate brokers or permittees.

A sea vacation

If you want to go down to the sea on your vacation, schooners and windjammers still sail the Maine coast.

You can up anchor and h'ist sail on Yankee ships with Yankee skippers for as little as \$99 a week.

You can haul at halyard and sheet, stand a trick at the wheel, or just laze.

Staterooms are clean, plain. Berths comfortable. Deck lengths vary from 55 to 160 feet.

Cooking includes Down East lobsters, chowders, and blueberry pies and muffins.

Ships usually anchor each night in picturesque ports. Shore activities range from beach-combing to summer theater.

Dress is informal. Bring bathing suit, foul weather gear.

September is ideal sailing month. Cool nights with days usually warm, sunny.

Information may be obtained from Maine's Department of Economic Development, Augusta.

What to do if a storm damages your property

Heaviest damage caused by natural disasters comes during the next four months.

Check your insurance for adequate wind-storm coverage. Nine of 10 catastrophes in the U. S. are windstorms.

Maintain an inventory of household goods.

This and photographs of your property are invaluable to insurance and tax officials.

If your property is damaged:

You're obligated as a windstorm policyholder to make temporary repairs to prevent further damage. Such repairs are reimbursed.

Call your insurance agent. Give him a damage estimate. Serious claims are handled first.

Call an appraiser or contractor. Invoices and estimates are helpful to adjusters and taxmen.

Contact a bank or other lending institution. A person with good credit can quickly get repair money.

If the Small Business Administration declares a disaster area, its three per cent loans

PERSONAL OUTLOOK

are available to individuals for home repair. The amount you can deduct taxwise is measured by the decrease in market value, not to exceed adjusted basis. Adjusted basis is cost, plus improvements, less depreciation. From this loss subtract receivable insurance.

How to keep cooler this summer

Scientists say there's lots you can do to beat the heat.

Acclimatization researchers find that many old wives' tales are sound.

However, the Army's Research Institute of Environmental Medicine has disproved several.

Salt tablets are necessary only for those in highly specialized jobs. Don't worry about salt intake if you eat a normal diet. Just give the saltcellar an extra shake or two.

Drink water frequently when engaged in active sports.

Take about eight swallows a half hour. Ideal water temperature is near 60 degrees. Not iced.

If you're frequently exposed to heat, drink six to eight quarts of fluid a day—preferably water, fruit juices, soft drinks.

A program for balanced investment

"Most executives are woefully unsophisticated about personal investments," says Dr. Richard H. Rush, financier and former representative of J. Paul Getty.

He says they concentrate on stocks and bonds and get a yield of about three per cent. They could get up to 20 per cent and higher.

Stocks, he counsels, should be included in most portfolios, but there are other things

which may better preserve capital. Investors can adopt strategies long used by banks and finance companies.

Dr. Rush encourages consideration of investments in these areas: finance company short-term notes and deposits, real estate syndications, mortgages, conditional sales contracts, foreign loans and deposits, building and loan associations, promissory notes, insurance, bank time deposits.

He stresses these principles:

Look for high yields; they provide excess income against which loss is charged.

Seek recourse—a guarantee of some other person or organization for payment.

Collateral should be held in almost every investment.

Include some safe, low-yield investments. Two reasons for this: Risky investments may run into trouble. They provide ready cash to take advantage of sudden opportunities.

Diversify types and amounts of investments.

Home prices vary

Moving to another part of the U.S.?

If you are planning to buy a home in a new location, regional price variances may surprise you.

A survey by F. W. Dodge Corp. shows that one-family houses sell highest in the Northeast.

A one-family home in the Northeast costs about eight per cent above the national average.

Six per cent above in the West. About 11 per cent below in the South. Just about average in the north central region.

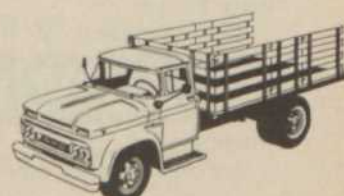
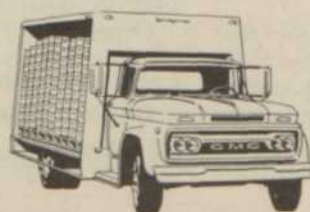
Median selling price of a one-family home today is up 24 per cent from 1956.

However, a Dodge official says, "There's more house per house today. Quality is rising."



NOW YOU CAN GET POWER STEERING ON YOUR GMC LIGHT-DUTY TRUCKS!

POWER STEERING'S HERE—RIGHT ON DOWN TO THE ½-TON GMC'S. Good news for lighter duty truck users who want to increase their GMC's ability to deliver greater efficiency, bigger profit potential! Power Steering helps you solve the most pressing problems of retail and service business delivery. Power Steering on light-duty GMC's reduces turning effort as much as 83%—conserves drivers' energy for important loading, unloading, customer relations duties. Power Steering on light-duty GMC's requires a turning effort of no more than 5 pounds—helps drivers get their trucks into and out of difficult parking spots fast to speed up your schedules. Power Steering's quick response adds valuable safety in jammed up traffic, tricky turning areas. The entire story is yours at your GMC Truck Dealer's. GMC Truck Power Steering—a product of Saginaw Steering Gear Division, General Motors Corporation, Saginaw, Michigan.



BUSINESS FUTURE

continued from page 36

BUSINESS conducted a similar midyear poll in 1961.

Business and government

The survey disclosed that recent actions by the Administration have angered and alarmed many businessmen.

More than 50 per cent of the participants criticized federal action in the steel price dispute.

In an answer that was typical of many, the board chairman of a major appliance manufacturing company declared: "Government intervention has hurt business confidence and therefore the general economic outlook. As yet we are proceeding with no change in plans. But caution is the order of the day with us."

In a related question, the survey participants were asked to give their opinion of the Administration. By a margin of more than ten to one, the business leaders were critical.

Charles J. Zimmerman, president of The Connecticut Mutual Life Insurance Company, had this to say: "On domestic issues the Administration shows dangerous lack of confidence in the people, the Congress, and in the free economy, and too much confidence in its own wisdom."

T. B. Kimball, executive vice president for operations of Sinclair Oil Corporation, said: "Washington had best watch its step or the brain trust will wake up one day and find the goose that lays the golden eggs is a dead duck."

Lewis H. Bond, president of the Forth Worth National Bank, asserted: "Government's intervention has made me feel that there will be little if any increase in business activity in the near future."

George D. McConnell, president of Munsingwear, Inc., said the steel incident had left his company feeling more hesitant.

Other business spokesmen, including the vice president of a Midwestern power and light company, said that, although the steel controversy had not specifically affected their plans, it had raised serious questions as to Washington's future wage-price moves.

The president of a major materials company said the steel incident had caused his company to abandon all plans for expanded capacity.

An oil company official said that,

in his opinion, federal intervention in steel pricing "will add to the squeeze on corporate profits, which will have a dampening effect on plant and equipment expenditures."

But the secretary and general counsel of a glass manufacturing company reported the steel case had not affected his company's plans or expectations.

"In my opinion," he said, "excess capacity was a greater factor in the steel pricing matter."

The Administration's handling of foreign affairs drew favorable comments from many business leaders.

A number of participants praised the President's own performance in office, but deplored "bad advice" given him by his top aides.

Price plans

The businessmen were asked if they plan to raise their prices between now and the middle of next year.

Fifty-one per cent reported they would not raise their prices.

Twenty-three per cent said they plan price boosts.

Five per cent indicated they may lower prices.

Others said they were undecided, or gave other answers.

Profit expectations

Forty-three per cent said they expect their profit per dollar of sales to remain at about current levels over the coming 12 months.

Twenty-seven per cent said they expect their profit margin to improve.

Twenty-five per cent said they expect their profit per dollar of sales to decline.

The remainder answered with no comment or other replies difficult to categorize.

Inventory intentions

Participants were asked if they planned to enlarge their inventory in the next 12 months, hold it about at present levels, or decrease it.

Fifty-seven per cent said they expect to maintain inventory at about present levels.

Eighteen per cent said they would decrease the size of their inventories.

Four per cent indicated they plan to expand their inventories.

Others gave mixed answers.

Labor cost outlook

One question was: "How much do you expect your labor costs, including fringe benefits, to increase

(in cents per hour) in the next 12 months?"

Most executives estimated increases at from five to ten cents an hour. In this group were officers of companies in the transportation, paper, publishing and several other industries.

The next largest block of predictions fell in the 10 to 15 cent per hour increase range. Included here were companies in transportation, wholesaling, insurance, light manufacturing and other industries.

For a new report on the rising cost to business of fringe benefits see page 80.

Future challenges

Another question: "In your opinion what are the biggest problems business as a whole will face in the next five to ten years?"

Here, in the order in which they received most mention, are the problems singled out by executives:

- Interference from government; the drift toward a planned economy.
- The profit squeeze.
- Meeting foreign competition.
- Controlling costs.
- Coping with union power.
- Taxation.

Several businessmen pointed not only to an unfavorable government-business relationship, but also a misinformed public opinion of business.

The secretary-controller of a distilling company said he considers the biggest challenge to business to be "convincing the public and labor that it is in the country's best interest to allow business to earn a fair rate of profit to ensure future economic growth."

The executive vice president of a shipbuilding firm said the biggest challenge is "to bring about reduction rather than increase of government controls. The 15 million corporate stockholders, if properly informed, could be a force to carry the message for business."

The vice president and treasurer of a public utility noted "the impact of the European Common Market upon the U. S. economy and the drift toward socialism in the U. S."

Other challenges listed were rises in labor costs which exceed productivity; problems of adapting to technological change; halting the gold outflow; dealing with excessive productive capacity in some industries; controlling inflation and training competent executive manpower. **END**



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ONE OF MODERN MANAGEMENT's most important functions—effective delegating of work—is a subject for plenty of preaching but not enough practice.

A study of 115 managers in a variety of business organizations turned up reasons why there isn't more delegating and what you can do about it.

Nearly everyone accepts delegation in principle. Management literature, management seminars and lectures stress the necessity for it. But surveys and performance reports consistently put lack of effective delegation high on the list of executive faults.

More than one third of the executives interviewed in this special study believed their bosses to be poor delegators. More than one fourth admitted that they themselves should do more delegating.

In examining this management puzzler with working executives some of the questions asked were: What problems do you have in delegation? Why do some bosses hesitate to delegate? Why do some subordinates avoid added responsibilities? How could you be more effective in delegating? What exactly is delegation?

Why we don't delegate

The reasons executives most frequently give for not delegating are:

1. Subordinates lack experience.
2. It takes more time to explain than to do the job myself.
3. Experimentation and mistakes can be too costly.
4. My position enables me to get quicker action.
5. There are some actions for which I'm responsible that I can't delegate to anyone.
6. Most of my subordinates are specialists without the over-all knowledge many decisions require.
7. My people are already too busy.
8. Many of my people just aren't willing to accept responsibility.
9. We lack adequate controls and performance measurements.
10. I like keeping busy and making my own decisions.

An examination of each of these reasons shows, however, that there are logical solutions which can lead to effective delegation of author-



HOW WELL DO YOU DELEGATE?

1. Do you and your subordinates agree on what results are expected of them?
2. Do you and your subordinates agree on measures of performance?
3. Does each of your subordinates feel that he has enough authority over his personnel?
4. Does he feel that he has sufficient authority concerning finances, facilities and other resources?
5. Within the past six months what additional authority have you delegated?
6. What more does each of your subordinates think should be delegated to him?
7. Is accountability fixed for each of your delegated responsibilities? Is your follow-up adequate?
8. Are you accessible when your subordinates need to see you?
9. Do your subordinates fail to seek or accept additional responsibility?
10. Do you bypass your subordinates by making decisions which are part of their job?
11. What interferes with the effective use of your management time?
12. Do you do things your subordinates should do? Why?
13. How could you best improve your delegation?
14. If you were incapacitated for six months, who would take your place?
15. Ask each of your subordinates individually, "What could I do, refrain from doing, or do differently which would help you do a better job?"

GET MORE DONE

continued

ity, more efficient distribution of work, and higher productivity for your organization.

The most common excuse for not delegating is that the subordinates have less experience than the chief. They are too new or too young.

But as one utility executive put it: "Swimming can't be learned without getting into the water."

Most managers readily agree that a way to overcome this barrier is to provide opportunities for responsible work assignments with proper training and guidance. Although the subordinate might not handle an assignment in exactly the same way his superior would, he might do it even better.

Impatient executives defend their do-it-yourself practices by observing that explaining delegation takes more time than it's worth.

For the short run this may be true. But when the job has to be repeated frequently, the boss may be wasting his time. The only way a subordinate can develop ability to take on bigger assignments is through systematic training and coaching.

Many executives feel they can't risk a mistake. But bosses sometimes make mistakes, too. Mistakes are hard-to-forget lessons for subordinates.

Adequate controls can avoid most disastrous mistakes. We spend considerable time checking before we approve a project. We spend time in review and investigations after the action, particularly if results are unsatisfactory. But seldom is enough time spent checking as delegated responsibilities are being performed.

Several of the 115 managers were reluctant to delegate because they felt that their rank got them quicker action than a subordinate could get. However, the farther an executive is removed from a situation, the more difficult the decision generally is. Often more timely, more accurate, and objective decisions can be made at lower levels. Besides, the chief can handle only so many projects at one time.

If you have to devote extra time to get rapid action, you may be neglecting your other functions.

"I am solely responsible. How can I delegate?" ask the more cautious managers. Although the chief is responsible ultimately for the actions and decisions of all his subordinates, a limited number of de-

cisions must be made by designated subordinates. The chief can meet his responsibility through understood assignments and authority, controls, measures of performance, and systems of accountability rather than personally doing a multitude of tasks.

"My subordinates are specialists. They lack interest in over-all management problems and do not have ready access to information needed for certain decisions," is a reason frequently given by managers in charge of technically or scientifically trained subordinates. The general rule for eating an elephant—cut it up in pieces—may apply here with delegation of specified areas for action and possible use of task forces which could combine a group of several special skills.

"My people are already too busy," is a common observation. Probably they are, but what are

How old folks feel: Survey of county with highest percentage of elderly citizens in the nation finds majority oppose federal health plan. They tell why in article on page 34

they doing which could be eliminated, modified, or delegated so that they could be of even more help to you?

An overly occupied manager who was signing sheafs of papers which had already been signed by three other subordinates was asked: "Do you know what you are signing?"

"Yes, generally," he replied, "several good men have checked them."

When too many persons are assigned responsibilities for the same action the result is plenty of bustle with no feeling of individual responsibility for decision.

"What can we do to get our subordinates to accept responsibility?" Nearly half of the managers interviewed asked that question. Not all people want additional responsibility and a surprisingly large number are not fully using their present authority. Some say that it just is not worth "sticking my neck out" and taking the risk of being wrong. "Do what you are told, give the boss what he wants, play it safe, and you will be around longer," is their philosophy.

"Let the boss decide," is often

standard operating practice, particularly if difficult problems are involved or if well considered decisions have been repeatedly reversed. This practice is encouraged by the chief who suggests, "check with me," "let's discuss it further," "better clear with me," "see me if you run into any problems." When asked for advice, the ineffective delegator often makes the decision and becomes burdened with less important but more numerous problems for advisory help, which are, in reality, passing the buck for decisions.

Many managers expressed reluctance to delegate because they lack adequate controls. "It is difficult to control anything you can't measure," commented a production manager. Successful delegators have developed in-progress indicators of performance, statements of conditions which exist when a job is done well, and effective reporting systems. "In delegation you get what you inspect rather than what you merely expect," one controller observed.

"We need to do with our subordinates what we have done successfully in making contracts for our construction and supplies—work out in advance what we want in the way of performance and results. We need to be more specific on quantity, quality, service, expense, and time. When a subordinate knows what is wanted he will be his own boss and quit running to us on details. We need to delegate jobs and projects to be accomplished instead of delegating functional responsibilities." This advice was from a general manager who has an outstanding record of performance.

"I am really swamped today. It has been one emergency after another!" exclaimed the manager of a large department store. "Did you notice all those people waiting outside my office to see me? The telephone has been ringing constantly. But hard work never hurt anyone and frankly I thrive on being busy."

He liked power and found satisfaction in exercising authority, meeting emergencies, and fighting management fires. One of the duties for which he was using his valuable time was deciding whether the radiators of the delivery trucks should be protected with permanent anti-freeze or with alcohol.

Overburdened executives are reluctant to give up authority, especially if it is in an area for which they feel competent and like the work. Yet, while they are so busy on certain problems, other more im-

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GET MORE DONE

continued

portant matters which vitally affect the business may be neglected.

"I am not completely sure what my superior wants me to do and in what situations I should make decisions. He hasn't told me." This is a common complaint among reluctant subordinates.

They are waiting to be told. When asked if their responsibility was to help their boss achieve his objectives in every way possible their unanimous reply was "yes." But several added that they hesitate to take the initiative in clarifying what is expected of them. Some members of middle management believed that it was unbecoming to be an eager beaver. Although they had ideas about what the superior might do in delegation, they avoided discussing them because "maybe the boss doesn't want to let go of what he is doing."

One way to break this situation would be for a manager periodically to ask each of his subordinates to develop plans for relieving him of some of his functions or for additional planned activities which would result in increased profits, improved products, reduced costs, or more efficient service.

"If we take on something new or additional and it goes well, we rarely hear anything; but if it fails, the roof falls in."

Subordinates avoid responsibility in situations where mistakes are not tolerated. They and others in the organization become resentful if they feel that the censure is for reasons beyond their control. The delegator must realize that occasional mistakes are the price of progress and development. Fear of criticism and lack of self-confidence, even when the chief has faith in the subordinate's ability, are barriers to accepting responsibility.

Lack of positive incentives

"What is in it for me if I do accept more delegated authority and responsibility?"

This is a blunt question and difficult to answer. Most subordinates don't ask this question, but many think it. For those who produce and meet or exceed performance standards there must be rewards and inducements, tangible and intangible, to keep them and others seeking new and additional ways to make the company even more successful.

Delegation is ineffective if the incumbent is unable to get timely

information concerning the program on which he is working. Subordinates complain that it is sometimes difficult to get needed information on plans, changes, policies, and problems in other departments which will affect their work. Adequate facts and other data must be available to the person who is willingly carrying out delegated responsibilities.

"They give us the responsibility but not the authority" is a frequent comment. Most effective delegators agree that the assignment of responsibility, transferring authority, and accepting corresponding accountability are inseparable, complementary parts of the process of delegation. When told this, a purchasing manager remarked, "Yes, but if my boss read that he didn't understand its meaning and I don't either. He holds me responsible, but hems me in on the decisions which I need to make."

What delegation is

Perhaps one reason for ineffective delegation is difference in opinion as to what the terms mean. Here are commonly used definitions of some terms:

Delegation is the process of establishing and maintaining effective working arrangements between a manager and the people who report to him. Delegation results when the performance of specified work is entrusted to another and the expected results are mutually understood.

Responsibility involves the agreement to perform specified services for others. Responsibility is acceptance of certain obligations with understanding that the subordinate will be answerable for results.

Authority is the permission granted to a man to take actions for or by the organization, usually within certain limits. Authority is also the right to use and commit resources of the organization and to make decisions required to meet responsibilities which the subordinate and his manager have agreed upon.

Accountability is the measure of accomplishments against planned objectives and goals. Accountability is the basis for credit or blame concerning results from the use of resources and authority in meeting responsibilities.

EARL BROOKS
Professor of Administration,
Cornell Graduate School
of Business and Public
Administration

INVESTMENT

continued from page 39

plant and equipment. Whether this proposal will pass this year is doubtful. Sen. Harry F. Byrd of Virginia, chairman of the Senate Finance Committee, says: "Under present conditions—when we face the prospect of a deficit in the current year of \$7 billion to \$10 billion and the likelihood of another deficit of \$3 billion or \$4 billion next year—I can only view it as an act of fiscal irresponsibility.

"Were we to advocate more than \$1.4 billion in investment credit, this I predict would be merely the beginning.

"It does not include credit on buildings which could be expected to come later."

Businessmen in general oppose the tax-credit plan.

The promise of major tax reform next year has thus far had no inspiring effect on businessmen.

Of considerable concern to many businessmen, too, is a proposal that the Federal Trade Commission be permitted to issue an injunction against a company at the time a complaint is filed.

Essentially the proposal would give the government the right to control business practices before proving illegality.

Other proposals would require businessmen to notify a government agency before raising prices; to notify the government in advance of mergers.

These proposals have one thing in common: The integrity of all business is challenged through expansion of the power of the federal government to harass.

World situation

Major world developments have specific and direct implications for new plant expenditures. Communist movements in Laos and Viet Nam raise questions as to the final extent to which U. S. troops might become involved. Earlier tensions in Berlin also caused businessmen to want to wait and see what happened before launching into sizable expansion plans.

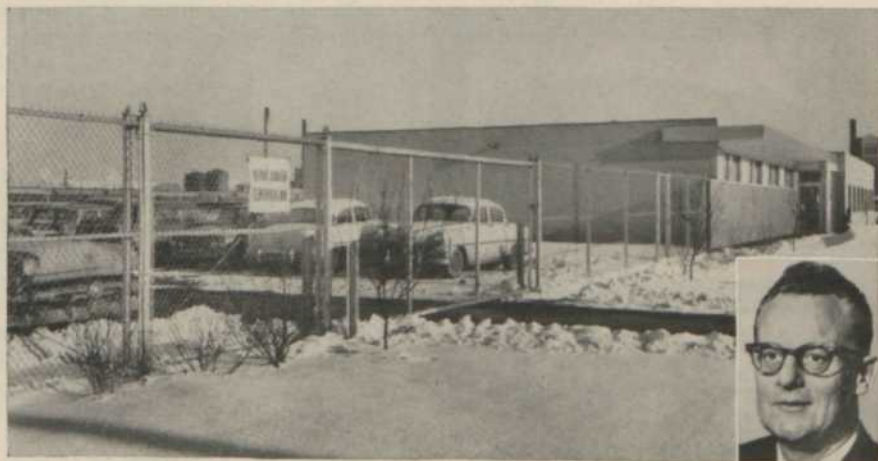
Another matter of major business concern involves current developments in foreign trade. Exports rose rapidly for some two years but have flattened to a plateau this year. Imports have been increasing rapidly. Competition from foreign producers, already fierce, is expected to increase substantially in the next several years. This points to

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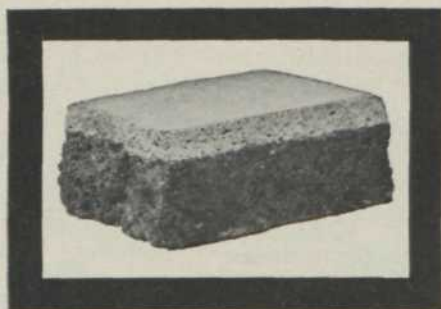
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INVESTMENT

continued

the need to modernize American plants.

Technology

Not to be overlooked is the possibility that some major breakthrough will come in the development of new machines that can bring sizable cost reductions. Research is going ahead at a rapid pace. Businessmen are prompted to take advantage of new developments as soon as they become available for fear competitors will beat them with competitive advantages.

In almost every industry new processes are being developed. Spending in this area is inspired by the pace of development. Few businessmen believe they can afford to pass up any opportunity to reduce costs.

Thus technology is a positive force on raising plant and equipment expenditures.

One company official says: "We used to think of new plant expenditure as investment in broader profit opportunity. If we thought we could produce goods we could sell at a profit, we expanded. Now we're forced to think of it as profit survival. Either we modernize or brace ourselves for competition that's sure to chop profit margins."

Economic trends

Demand for goods and services, in the final analysis, is the major force that stimulates production. Demand currently is good, though not spectacular. It is expected to continue.

Government purchases have risen sharply from two years ago, but the rise in the coming year probably will not be as sharp as in the past 12 months.

Personal consumption is moving ahead. Sales are setting new records. But there is a widespread feeling among businessmen that customers could spend more. Americans currently are saving at a rate of about \$2.5 billion more than they were a year ago. Credit expansion so far has been moderate.

The total volume of goods and services being produced never was higher. It's up more than 10 per cent in the past 18 months. For the coming year and a half it may not rise that much.

Demand for goods and services is a stimulant for plant expansion, especially if profits appear possible.

But profits have not been good. William F. Butler, economist vice president of the Chase Manhattan Bank of New York, describes them this way:

"Profits are caught in a squeeze between rising costs and stable prices.

"Corporate profits after taxes were no higher last year than in 1955, whereas gross national product had increased by one third.

"Profits will be better this year, perhaps by as much as one fifth, yet they do not promise to be enough better to call forth a vigorous upward move in business investment in new plant and equipment."

The lag in our economic growth, Mr. Butler says, is not due to any shortage of consumer purchasing power—with wages and salaries going up almost five per cent a year. Nor is it due to any lack of demand on the part of government—which has been rising an average of six per cent a year.

Management, he points out, has been trying to get costs under control, and with some success.

"The remedy does not lie in higher prices," he notes. "If America is to maintain its position of leadership in the world, we must keep our price level stable. We cannot take the easy route of inflation."

Mr. Butler believes the key to prosperity and economic growth lies in action to encourage a higher rate of business investment in new plant and equipment—thus speeding up the modernization of American industry.

He suggests, in addition to keeping costs under control, that "the burden of taxation on saving and investment must be reduced."

Martin R. Gainsbrugh, chief economist of the National Industrial Conference Board, agrees.

"Basic tax revision," he says, "in addition to reform of the rules of depreciable property, among other actions, would do much to stimulate investment for the balance of this year and into 1963. Such relief would be most effective if offered while investment is still mounting."

Mr. Butler thinks the nation needs to have a level of investment this year at least 10 per cent higher than that now planned by business.

"This implies a need for a reduction of taxes on saving and investment on the order of \$4 billion to \$5 billion," he estimates. This, he points out, is substantially more

than has been talked about by officials in Washington.

Congress' Joint Economic Committee says the lag in investment "is suggestive of the fact that capacity to produce since the 1958 recession has been generally adequate to satisfy recent levels of demand—a development which has undoubtedly been aggravated by the growth of capacity in foreign countries and the increased competition from abroad."

Unfortunately, the committee points out, adequate information on capacity and its utilization are unavailable.

Other information shows that plant capacity is now being utilized more than in the past two or three years. This would indicate the growth of a stimulating force for enlarging investment.

John W. Kendrick, professor of economics at The George Washington University and an authority on productivity, thinks that "present excess capacity may well be converted to capacity shortage within a few years as the growth rate of the U. S. economy accelerates."

The Joint Economic Committee study says: "Profit expectations constitute a prime factor in business decisions to invest in new productive facilities." Internal funds provide a larger incentive than borrowing. Such funds are expected to be larger this year—that is, funds available after taxes and dividends—although the total will fall far short of a record. Such a trend is a stimulating influence on new investment, but not highly stimulating at this time.

Another force tending to stimulate investment is the age of existing plant. Since World War II there has been considerable improvement here. Yet a fourth of today's productive equipment existed before 1945. There is tremendous need to replace this aging equipment.

The new depreciation plans will provide some of the increased incentive to do this.

The gyrations of common stock values are not without impact on business planning. Yet the pessimism caused by falling stock prices appears to be matched against a widespread general feeling that business really is good and that sales will increase. This year's stock price movements are contributing to businessmen's hesitancy in new plant planning.

Anticipating the future always has been worrisome. Now it is doubly so.

END

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UNIONS' GOAL: ELECTION UPSET

Reversing political trend held key to liberal legislation in next few years

ORGANIZED LABOR'S political strategists have fixed their sights on the next Congress.

With President Kennedy's help, they are mobilizing their political forces to help the Democratic Party try to score an upset in the coming congressional elections by gaining instead of losing seats in the Eighty-eighth Congress.

Only once in this century—in 1934, when the New Deal was getting up steam—has the party in control of the White House been able to gain strength in Congress in the off-year elections.

Unionists feel that an upset victory for the Democrats is necessary in November if union-backed Administration legislation denied by this Congress is going to have any chance of getting through in the next few years.

Union politicians recognize that precedent is against them, but they feel it can be overcome if labor's political machine fully and effectively utilizes its increasing capabilities.

The real problem, as unionists view it, is in the House, where they accuse a coalition of Republicans and conservative Democrats of blocking or watering down much of what the Administration and labor want from Congress.

The basic solution they propose is to counter the usual off-year political apathy by increasing the

turnout of voters in lower income, working class and normally Democratic neighborhoods and to concentrate on about 100 marginal congressional districts where the elections are usually close.

"The practical political fact is that the real contest between the Democrats and the Republicans—the real battle for Congress—is in one third of the seats in the House," says Roy Reuther, the director of the AFL-CIO's special \$750,000 drive to get more workers registered and to the polls. He is the brother of Walter P. Reuther, president of the United Automobile Workers.

"Many people don't realize this," he says "but two thirds of the seats in the House are really not contested at all in the general election. They are safe either for the Republicans or the Democrats.

"The real contest between Democrats and Republicans is in one third of the seats. If you want to change the face of Congress in terms of its public policies, the contest will be there.

"We will be doing most of our work in districts where a three per cent shift in the vote could shift the result either way. Also where, although the district may not be marginal statistically, it is off and on, such as Flint, Mich."

Flint, an industrial city with heavy UAW membership, is in the

Sixth Michigan District, which has elected a Republican, Charles E. Chamberlain, to Congress three times, the last time with 56.6 per cent of the vote. Democrats previously had carried the district with 57.1 per cent of the vote in 1954, during the Eisenhower Administration. Representative Chamberlain leans conservative, having voted wrong 14 times and right nine times on the AFL-CIO rating chart. Unions will oppose his reelection.

Roy Reuther, on leave from his post as director of UAW political activities, says one of the reasons the AFL-CIO is spending three quarters of a million dollars on registration and getting out the vote is that, based on potential, the hourly workers have a poor record for voter participation.

He cites figures by pollster Lou Harris which show that, in the 1960 elections, the labor and the professional and executive groups each cast 26 per cent of the total vote, although the labor group represents twice as much of the population older than 21. (See chart.)

"Although representing 37 per cent of the adult population, labor cast only 26 per cent of the vote, for a 'voting performance' of minus 11," according to Roy Reuther.

"The professional and executive group, on the other hand, representing only 18 per cent of the



MERKLE PRESS

President Kennedy peps up union political workers in White House garden talk. James McDevitt and Roy Reuther (right), AFL-CIO leaders, listen approvingly

adult population, also cast 26 per cent of the 1960 vote, for a voting performance of plus eight.

"This underscores our great deficit and responsibility and that is one reason we have launched this drive (to increase election participation by workers)."

Mr. Harris's figures also purport to show that in 1960 the labor vote was 63 per cent Democratic whereas the professionals and executives voted 60 per cent Republican.

The House

The problem the AFL-CIO Committee on Political Education sees in the House is that, although Democrats hold a 263-174 margin, what COPE calls a "reactionary coalition" can muster a majority and "block just about any bill it cares to."

The strength of the coalition varies, depending on the issue being voted on. Roy Reuther estimates that the election of 10 to 20 more liberals is "a minimum requirement in order to get much of the important social legislation through the House."

Al Barkan, deputy director of COPE, puts the target at 30.

"We are convinced that if we do a real registration job in marginal districts we'll get those 30 seats in the House and a half dozen in the Senate as well," he says.

You have to look at what hap-

LAG IN LABOR VOTE

Union drive for fall elections is based partly on leaders' concern because percentage of members voting in 1960 election did not match that of other groups. Here are pollster Lou Harris's figures for that election:

	Percentage of voting-age population	Percentage of those who voted
Executive, Professional	18%	26%
White collar	26%	26%
Labor	37%	26%
Farmers	9%	11%
Retirees	6%	8%
Other	4%	3%

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ELECTION UPSET

continued

pened to the House in the last election to appreciate the size of the upset labor's political machine seeks to help achieve. Even with a union-Democratic victory in the presidential race, the Democrats lost 20 House seats and the number of union friends—congressmen who vote the union position more than half of the time on key issues—dropped from 221 to 205.

These figures are from voting records compiled by COPE and the AFL-CIO Industrial Union Department, headed by Walter Reuther.

The IUD found that, in the first session of this Congress, 205 House members voted right and 220 voted wrong—from the union view—more than half the time on 10 issues the IUD considered vital to its interests. (Eleven split their vote evenly.) Even so, the IUD position prevailed on six, or more than half, of the votes.

COPE also points out that the loss in seats suffered in off-year elections by the party controlling the White House has averaged nine per cent over the past 50 years. This means that if this turns out to be an average off-year election, the Democrats will lose 23 House seats, and the conservative coalition will be strengthened even more. The consequences of such a development are appraised by COPE in its monthly report distributed for publication in union journals this month:

"Briefly, it is this: Liberal legislation will have as much chance of squeezing through Congress as an elephant has of squeezing through a needle's eye.

"Possibly, as a result of horse-trading in Congress, some good legislation may see the light of day, but this would come only at the expense of other progressive laws."

The Senate

The Senate poses no real problem for organized labor; it's considered safely liberal, with a Democratic majority of 64-36, and 53 senators who are considered union friends because they voted the union position more than half the time on the 10 issues used as a test by IUD.

Thirty-eight Senate seats are being contested—21 held by Democrats and 17 by Republicans—but about half of each party's seats are considered safe from attack.

Objective political observers feel

that not enough seats can be changed to make an appreciable difference in the complexion of the next Senate either in party division or in union strength.

Partisanship

Officially, COPE and most other union political groups profess to be nonpartisan, supporting or opposing candidates on the basis of their views and voting record on public issues. But actually, and for practical political reasons, organized labor's political activity seems to be 99.44 per cent pure Democratic.

Sometimes this shows through the nonpartisan screen, as in the political action resolution adopted by the UAW convention at Atlantic City in May. It was passed a few minutes after President Kennedy, in a rousing campaign-like speech, asked the UAW "to once again help move this country forward."

"There is danger and opportunity in the 109 marginal congressional districts where the shift of a small percentage of the total vote can determine the outcome," the UAW resolution states.

"Democrats hold seats in 44 of these districts; many of these seats may be lost in a light vote.

"In many of these marginal districts now held by Republicans, greater effort at registration and voter turnout can assure the election of congressmen who will support measures geared to the needs of all the people."

Partisanship is also revealed in the Senate races in which COPE will make a real fight.

COPE is going to concentrate its efforts on defeating seven of the Republican senators up for re-election; replacing two retiring Republican senators with Democrats, and holding three Democratic seats which are in the doubtful category.

The COPE targets for defeat are Thomas H. Kuchel of California, Everett M. Dirksen of Illinois, Homer E. Capehart of Indiana, Thruston B. Morton of Kentucky, Francis Case of South Dakota, Wallace F. Bennett of Utah, and Alexander Wiley of Wisconsin.

COPE will try to replace retiring Prescott Bush of Connecticut and John M. Butler of Maryland with Democrats.

The Democratic seats it will try to hold are those of Benjamin A. Smith II of Massachusetts, who is retiring; John A. Carroll of Colorado and J. J. Hickey of Wyoming.

The AFL-CIO will not bear down against any Democrat, nor will it

waste time and money on safe contests, whether the seats are held by Democrats or Republicans. This is usually dictated by practical political considerations, which help underscore the Democratic partisanship of COPE and most AFL-CIO affiliates.

Like any effective political machine, COPE picks and develops friendly candidates it can support and picks key targets for defeat.

A rising star you will hear more about, if he wins in November, is Carlton R. Sickles, Democratic candidate for congressman-at-large in Maryland.

With the help of all union political organizations in the state, Mr. Sickles, a Washington labor attorney, bucked the otherwise successful political machine of Gov. J. Millard Tawes and won the nomination over the Speaker of the Maryland House of Delegates, Perry O. Wilkinson, who had been favored to win.

A member of the Maryland legislature for 20 years, Mr. Sickles is general counsel for the Asbestos Workers International Union, of which his father, Carl W. Sickles, is president.

Getting out the vote

The COPE leaders are convinced that the key to success this fall is to increase the vote where it counts.

They feel that increased registration in the large cities, for which COPE spent more than \$500,000 in dues money in 1960, was largely responsible for President Kennedy's narrow victory.

The turnout at the polls drops considerably between presidential elections, and COPE opinion is that this hurts the Democratic and liberal vote more than the Republican and conservative.

As a result, COPE leaders are starting earlier and spending more

—\$750,000—to increase registration where they think it will do their cause the most good.

George Meany, president of the AFL-CIO, cites Houston as an example of "why we lose elections."

"In a group of high-income precincts," he says, "17,000 out of 18,400 adult citizens were registered and almost 16,000 of them voted in the 1960 elections."

"In another group of precincts in the same city, populated mostly by trade union families, there were twice as many adult citizens, but only about 11,000 were registered and a mere 8,622 went to the polls."

"So 18,000 citizens outvoted 43,000 citizens, almost two to one."

To help stimulate registration and voting, COPE has produced a new half-hour documentary-type movie film at a cost of \$25,000 for showing to union members and other friendly groups.

Mr. Meany, who is also national chairman of COPE, and James L. McDevitt, COPE director, are featured.

Mr. Meany stresses the argument that unions are in politics because political decisions affect daily living, that what is negotiated at the bargaining table can be taken away through legislation, and that labor is acting in the interests of the whole public.

President Kennedy is encouraging and assisting the unions' all-out political effort. When 100 union leaders from the nation's 30 largest cities and 21 largest states met in Washington recently to kick off the first phase of the election drive—the President received them in the White House rose garden.

"We all should be indebted to you," he told them. "What happens in November really will be very much due to the kind of work you are able to do in the coming weeks and months." **END**

REAPPORTIONMENT (continued from page 31)

systems of representation as a particularly painful process because, unlike Mr. Rhyne, he feels that no generally accepted theory of representation has been developed in the United States.

Some authorities, for example, reject population as the sole basis and claim that representation based on geography serves to protect and balance widely divergent interests.

Aside from the degree of numerical equality represented in state senates, Mr. Hanson lists three

widely varying systems for reapportioning the lower chambers, or houses of delegates.

First, delegates could run at-large within their counties or legislative districts. In a county with a 60-40 split between urban and rural interests, the larger voting bloc prevailing in an election could freeze out the minority interests.

Second, within the counties, more than one delegate could represent a legislative subdistrict, as

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REAPPORTIONMENT

continued

is the case in many states now. (The way districts are drawn could affect the balance of power.)

Third, delegates could represent small, single-member subdistricts. Now one of the bulwarks of conservative strength in Congress, this principle would at least insure rural minorities a voice in proportion to their voting strength.

In the absence of restrictive court action, conservative legislatures are using all available devices to protect their interests.

As viewed by Mr. Hanson and others, the Tennessee reapportionment decision could be translated into redistricting of malapportioned congressional districts either by court decisions following the principle of the Supreme Court ruling or by redistricting at the hands of legislatures newly reflecting urban strength.

The courts already have set aside some redistricting acts and ordered at-large congressional elections in some instances on the principle the Congress is "dependent upon the people."

Other authorities point out, furthermore, that a primary source of conservative strength in the House of Representatives is the seniority system under which southern Democrats from safe rural districts chair several key committees.

A substantial change in southern voting patterns, based on civil rights measures and reapportionment within the states, could ultimately alter the congressional complexion.

Influenced, in turn, would be the whole range of domestic issues such as agriculture, minimum wage, area redevelopment, education and others involving taxation and the role of government.

Immediately after the Tennessee decision was handed down, the Republican National Committee declared that the G.O.P. can only gain from reapportionment, pointing to party strength in underrepresented areas—especially in the South. This is contrasted to the cities which produced such heavy Democratic margins in 1960.

Democrats, on the other hand, argue that the balance between parties is shifting in their favor in the key suburbs, where underrepresentation is greatest and the strongest pressure for reapportionment is being felt across the land.

END

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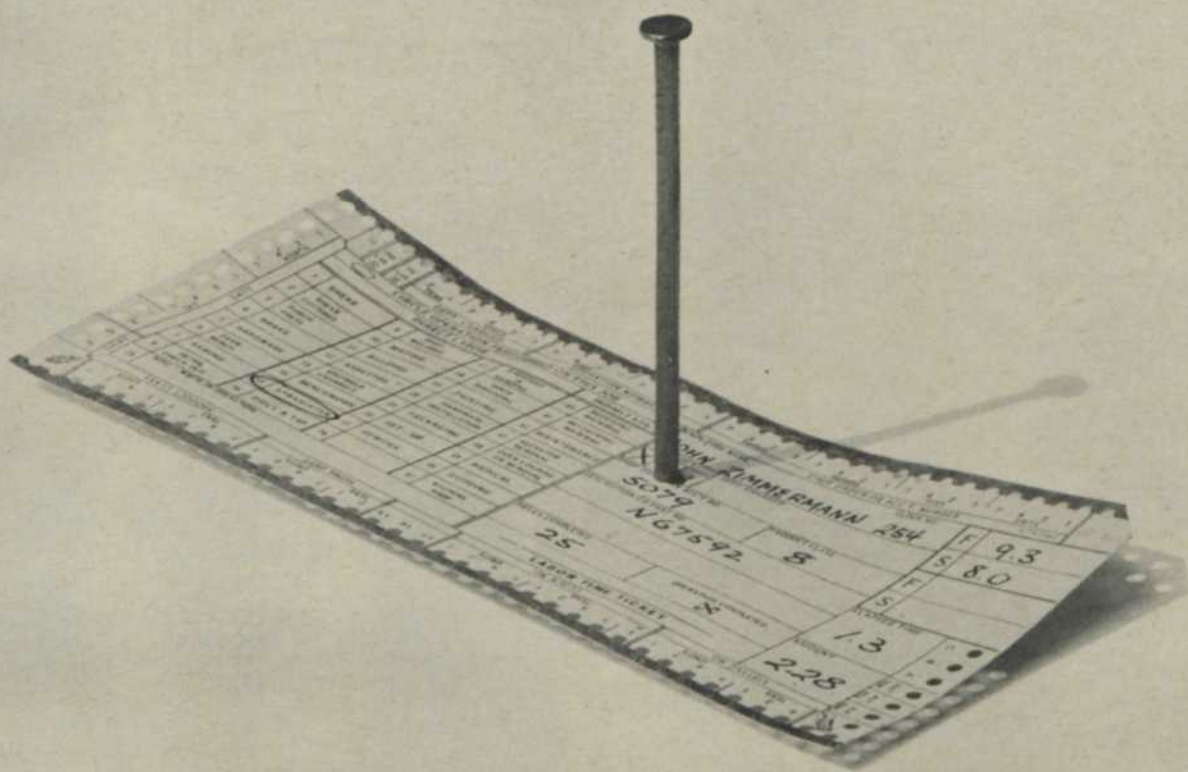


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INDIVIDUALISM

BY DR. HENRY M. WRISTON

THE PENDULUM of American thought is swinging back toward the individual and his importance in society.

During the past generation, the quality of individualism has been in partial eclipse. Influential forces still advocate the all-powerful state. But reassuring signs of renewed faith in the individual are appearing in education, industry, politics and science.

Concern over the individual and his relationship with the state is the basis for many of the fundamental struggles and tensions that beset civilization today as yesterday.

Dr. Wriston is president of the American Assembly at Columbia University. Formerly president of Lawrence College and president emeritus of Brown University, he is currently president of the Council on Foreign Relations.

In 1960 President Eisenhower appointed Dr. Wriston chairman of the President's Commission on National Goals which made an extensive study of where the United States should aim its policies. Dr. Wriston's business associations have included the New York Stock Exchange and Northwestern Mutual Life Insurance Company. He is the author of several books and numerous magazine articles.

This has been called the Age of Barbiturates; the names of tranquilizers have become not so much pharmaceutical as symbolic. We hear of the war of the sexes, the revolt of the younger generation, the tussle between authority and license.

Surely we all recognize the tension between capitalism and socialism, free enterprise and the managed economy. At the same time we need to avoid so sharp a polarity in our thought as to blind us to the fact that whenever we drive thought to its logical extremes, we lose touch with reality.

The world is not logically organized. Even under communism, the management of the economy is a good deal less than total. Peasants in Russia, for example, have a small garden plot of their own, which saves many from unbearable hardship. In Poland, socialist heresy goes a good deal further, and in Yugoslavia it is evident to an even greater extent. So great are the differences that the monolithic character of communist dogma has been shattered by many kinds of heresy and deviationism.

On the other hand there never has been, and there is not now, any national economy based wholly on free enterprise. In this coun-

INDIVIDUALISM

continued

try the antitrust acts, the regulatory bodies with their infinitude of rules and regulations, national management of money and debt, not to speak of public power and transportation enterprises, show how sharply the ultimate logic of free enterprise has been modified. The prices of sugar and many other agricultural products are controlled by government; now the basic price of steel has been, if not determined, at least frozen by the White House.

There is tension between liberalism and conservatism.

The liberal and the conservative alike insist that they are concerned with the individual—his development and his welfare. One tends to leave rather more to the individual's own responsibility and initiative, while the other tends rather more toward government guidance, if not direction. Few people take wholly consistent positions in this matter. There is a broad consensus that government must do some things—such as providing schools, for example. There is also agreement that as much as possible should be left to the individual

Defining the range and scale of the partition is the root of the argument.

It was a devotee of free enterprise and a model of conservatism, Alexander Hamilton, who, through the tariff, brought government influence directly to bear upon business. On the other hand it was liberals who fought against the trusts and other efforts to kill or cripple competition at home. They were defending free enterprise!

The New Deal, regarded as the most liberal of our national administrations, passed the National Industrial Recovery Act. Yet the statute was widely acclaimed by businessmen who insisted they were conservative. It was the absolute antithesis of the market economy, both in design and in practice. Far from promoting competition, it was specifically designed to suppress it.

But underlying the tensions in economics and politics is one which is much more fundamental—between the individual and society. Karl Marx laid great emphasis upon this; he went so far as to describe society as the positive pole and the individual as the negative. By the very definition of the one as positive and the other as negative, he

was expressing an adverse judgment upon the individual. His prejudicial estimate of the individual began to permeate the thought of men who never read "Das Kapital." It touched not only those who became his disciples and expositors, it infected many who had not the slightest idea that Marx's views had influenced their own.

It is clear that his view profoundly influenced government and business. That it could fail, under these circumstances, to have an impact upon education would be inconceivable. The cumulative effects over the years of the general retreat from individualism was tremendous. Symptomatic of this tendency was a report to President Truman, in 1947, of the President's Commission on Higher Education. It was not composed wholly of professionals; it included industrialists prominent in the business world and was really nonpartisan. One of its statements stands out conspicuously: "The development of social technology is an imperative today."

Another expression which had wide currency at that time was "social engineering"; students were referred to as "social units," not as individuals.

This whole emphasis upon mech-

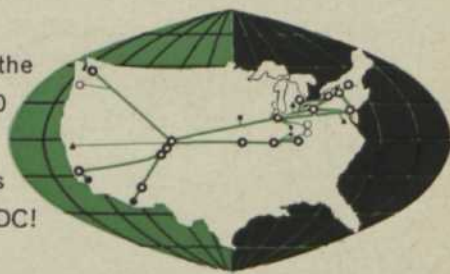


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anistic concepts was evidence of loss of faith in the individual, his uniqueness, his gifts or imagination, his power to originate. Technology is appropriate in handling machines; it is wholly improper when applied to human beings. Free will cannot be engineered. It is unpredictable and incalculable.

The goal of social engineering is operational efficiency rather than an increase in freedom, an enlargement of the meaning of life, an awareness of human dignity.

It seems to me clear that, in company with much of the world, we went through a period which can be variously identified as to its beginning and ending—for, in this as in most trends, the beginnings were not clear and the ending is not complete—when the emphasis shifted from the individual to the social structure. This tendency, let me emphasize, was not the property of either liberals or conservatives, the right or the left.

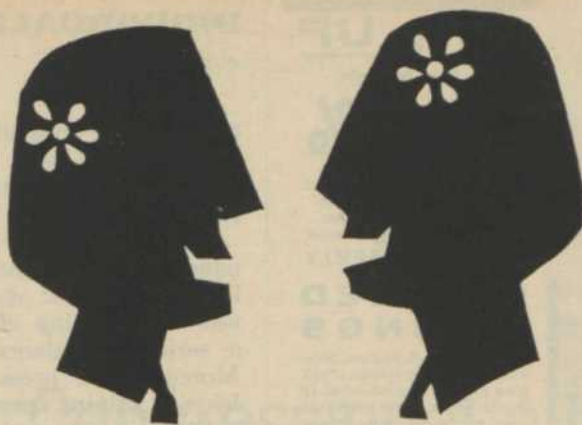
The corporate state of Mussolini, for example, was thought of as the extreme right, but it dealt with men in the mass and sought the indoctrination and manipulation of people. The communists, who are supposed to be on the extreme left, likewise still treat the individual as, if not cannon fodder, even worse, subject to liquidation if he does not fit into the social, economic and political pattern of the party. Russia ruthlessly starved the types of farmers (Kulaks) who could have gone farthest toward solving its agricultural problems. They were liquidated for the purpose of building a communist state.

Breasting the stream

It makes no difference, therefore, whether you are speaking of the right or the left. For many years, there was this strong tendency to treat the individual as less than able to manage his own affairs.

Those relatively few people who kept insisting that individualism was still a valid concept and that the proper goal of democracy was to maximize self-control and minimize external control seemed like voices crying in the wilderness.

Now thought is focusing back on the individual. Of course, the rivers of history and experience do not all flow in one direction. It would be folly to deny that powerful currents are still seeking to carry us away from the individual toward an all-powerful state. But in breasting that stream we can take encouragement from a realiza-



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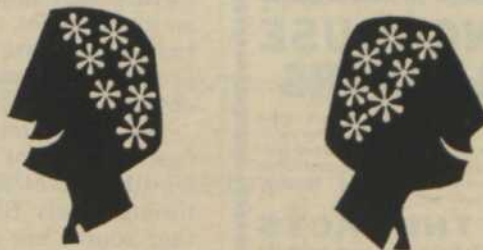
That's the kind of profitable exchange you benefit from when you actively participate in your trade or professional association. Multiplication of ideas between members goes on all the time. It's such a natural process you may never be aware of it.

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INDIVIDUALISM

continued

tion that the river of individualism, which seemed to be drying up during the second quarter of this century, is once again in full spate.

One of the new watchwords in education, for example, is "excellence." When it was launched, it was a refreshing effort to redress a serious imbalance of emphasis. Moreover the press toward excellence is gaining constantly.

We still hear of "mass education," but we no longer use it in the sense that gave it currency. Once more there is dawning recognition of the truth that no matter how many people are educated at one time and place, the essential process proceeds in each person separately, at his own rate, and with his own interpretation.

Edith Hamilton in "The Echo of Greece" discusses Socrates and his concern for the health of the state. "He saw the salvation of the state in terms of each separate Athenian. . . . The condition of the state was bound up with the condition of the souls of the men who lived in it. Socrates' eyes were fixed on the individual and on the most individual part of him, the inner realm where alone he could be absolute master."

Once again in the cycles that characterize thought, that concept is beginning to dominate education.

As we reflect upon history, and the observations of our own brief lives, it becomes clear that talent often is found in unexpected places. Genius appears from time to time; no one can predict where or when it will be found. Sometimes it is so naturally powerful that no obstacle can bar its effectiveness. But the broad rule is that, for their full fruition, great gifts need cultivation and training. It is one of the tragedies of human history that poverty, disease and ignorance have stifled so much talent that could have enriched the world in art, music, literature, invention, scientific discovery, and economic progress.

We are acutely aware of the vast destruction not only of material wealth, but of human potentiality, through war. But the losses from that source are as dust in the balance compared with those occasioned by the smothering of talent by lack of identification and development. It has been the special mission of the United States, declared again and again by our forefathers, to bring equality of opportunity to

reality. A fresh appreciation of that mission accounts for new stress in education upon individual growth in mind and body and character.

Care for the growth of the individual also has become a major concern of industry—to develop capacity to move from jobs made obsolete by progress to others demanding higher skills, more flexible minds.

Even in politics, which usually follows and seldom leads, there is a marked turn away from dogmatic socialism. One of the most alert economists of Europe has written of the "intellectual collapse" of European socialism.

It has been customary during the years in which the individual was in less repute to lay great stress upon the complexity of the problems of life, upon the way in which one life impinges upon its crowding neighbors, and generally to depreciate the range of freedom available to the individual. Now the coin is being turned over and we see, once more, the other side.

The exploration of the vast, illimitable universe requires individuals of great daring, resourcefulness, and skill. These qualities are necessary for proper functioning of scientists, technologists, administrators.

Perhaps the revolution wrought in and by science will again carry us back to the poet's insight. It may be that in this matter, as in so many others, the poet saw what men of more systematic modes of thought could not see as soon. We may once again learn to summon Walt Whitman as our witness:

"I swear I begin to see the meaning of these things!

It is not the earth, it is not America, who is great,

It is I who am great, or to be great

—it is you up there, or any one; It is to walk rapidly through civilizations, governments, theories, Through poems, pageants, shows, to form great individuals.

Underneath all, individuals!

I swear nothing is good to me now that ignores individuals,

The American compact is altogether with individuals,

The only government is that which makes minute of individuals,

The whole theory of the universe is directed to one single individual—to you." **END**

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SPECIAL LETTER

NATION'S BUSINESS EDITORS REPORT ON: Congressional outlook

Election-year fever grips Congress.

But there's a different twist this year. Congressmen aren't building up the usual kind of election-year record of voting goodies for constituents.

Congress—in even numbered years—usually jumps at proposals that appeal to people back home. When all House seats and a third of the Senate seats are up for election, members usually concentrate on bills that provide help of one sort or another for their constituents—and bills which anger few.

Not so in 1962—at least until now.

Why? For one thing lawmakers find themselves facing White House demands for approval of many bills which, at best, have little old-fashioned voter appeal and which, at worst, carry political risk.

* * *

Congress so far has centered attention on proposals that have no specific election-year appeal. Examples:

Trade expansion—Measure that gives President greater power to lower tariffs on foreign goods coming into U. S.

Farm controls—Legislation that tightens federal grip on farmers, could boost food bills for urban voters.

Taxes—Extension of 52 per cent wartime taxes on corporate income, most excise taxes.

Debt—Lifting ceiling on huge federal debt to leave head room for more inflationary deficit spending.

* * *

Controversy clouds future of other tax issues.

Action so far has been limited to extension of existing laws.

Still hanging: New tax ideas that have evoked many letters of protest. Proposals

include withholding taxes on dividend and interest payments. Big fuss stirring on this issue.

Another is so-called tax credit plan. Measure would permit businessmen a tax deduction based on percentage of expenditures for new equipment. Many business groups oppose this on ground that it's a gimmick, unfair, a kind of subsidy, no substitute for much-needed tax reform.

Tax on foreign income is part of the package. Government would tax incomes of U. S. firms operating abroad at time income is made rather than defer taxes until income is returned to U. S. Tax incentive was offered initially to inspire American firms to open operations overseas to aid world economic development. New proposal would curtail foreign investment, persuade many firms to withdraw overseas investments. Measure controversial.

* * *

Main action still to come on other proposals that have about as much voter sting as voter appeal. Health, for example.

Major legislative issue would tie federal payments for limited health care of older people to social security law. Voter appeal? It's backfiring here. Older people don't want it (see page 34). Many wouldn't be covered by the plan. Younger people protest because of compulsory health taxation features. All workers would have to pay higher tax, benefits shared only by retirees who come under social security or railroad retirement, leaving out many who need help most. Opposition, strong from beginning, is growing stronger.

* * *

There's no deficiency of proposals with old-fashioned election-year appeal.

But some of the programs usually voted only in even numbered years were bulldozed through Congress last year, many of them as federal pump primers.

Examples: Congress last year enacted federal spending programs in regions with chronic unemployment, also expanded outlays to curb water pollution. Federal spending was voted for slum clearance. Social security was liberalized—breaking the pattern of broadening benefits in election years.

Opportunity to construct an old-fashioned election-year record will not escape eagle legislative eyes. Still to be acted on is a public works package. So far House committee has approved only about a dozen projects. Another dozen or two are on the horizon. But before the session ends the committee expects to approve in the neighborhood of 175 projects—adding up to about \$4 billion.

Voluntary support responds to college needs

Educators warn that federal intervention in higher education would hurt more than help

WHILE CONGRESS debates new subsidies for higher education, voluntary support of the nation's colleges and universities is at a record high.

Many educators believe that private contributions and endowments—which totaled \$1.4 billion last year—are keeping pace with, but must grow to meet future needs.

Corporate giving for various higher educational purposes rose from \$24 million in 1947-48 to \$178 million in 1960, according to the Council for Financial Aid to Education. Some fund raisers say \$200-250 million is a reasonable estimate for this year.

Foundation giving, about \$256 million in 1957-58, climbed to about \$320 million in 1959-60.

Gifts from individual alumni have increased from \$163 million in 1959-60 to about \$190 million in 1960-61.

Despite this record, the Administration is pushing for a five-year program of \$1.5 billion in federal loans to help public and private colleges build academic facilities and \$900 million in grants to provide 212,000 scholarships.

The proposal is now entangled in Congress, largely because the House refuses to approve the scholarship provision. A majority of the House believes that a deserving student can work his way through college, get a loan, or get a scholarship.

Presidents of 29 independent and church-related colleges from 12 states, meanwhile, have informed Congress that federal subsidies for private colleges might actually hurt more than they would help.

The president of Rockford (Ill.) College, John A. Howard, coordinator of the concerted action, says:

"As the government becomes the

main dispenser of funds, the tendency will be to refrain from innovation and to hold to those programs which have in the past elicited federal grants, or to experiment only in those directions which are known to be well received by the agents who pass federal judgment. . . .

"At Rockford College, our convictions on this matter are so firm that we have declared our intention to seek no funds under the pending legislation, however generous the provisions may be."

New, growing private loan and scholarship programs are being developed to help higher education.

Among them are:

United Student Aid Funds, Inc., a nonprofit enterprise, has set a 1961-1962 goal of obtaining \$40 million in contributed capital to back long-term, low-interest bank loans to needy students.

Under the plan, local banks issue loans to student applicants and USAF endorses the loans.

Loans are available to any student who has satisfactorily completed a year at an accredited college. Students may borrow a maximum of \$3,000 but not more than \$1,000 in any one year.

Repayment, in monthly installments, is not required until five months after the student borrower leaves college and may be extended over a three-year period.

More than 100,000 students have benefited from the loans.

Plans of USAF, or similar programs, are in operation or soon will be in about one third of the states.

Local efforts help

More than 100 communities in 18 states have established Citizen's Scholarship Foundations to raise hometown funds for needy students.

This program began four years ago in Fall River, Mass., and has grown from \$4,500 to help 18 students to \$125,000 for 400 students last year.

Its founder, Dr. Irving A. Fradkin, anticipates about \$750,000 will be raised for 1,500 students throughout the country this year.

He stresses that a large proportion of the support comes from the average citizen. For example, \$17,000 of the \$21,000 collected in Fall River last year came from individual dollar donations.

"The Fall River Plan," says Dr. Lawrence G. Derthick, former U. S. Commissioner of Education, "may have unlocked the secret of raising funds to solve the country's education problem—the people at the lower levels have got to accept the responsibility as the federal government will not solve the problem."

The American Medical Association this year has started a loan program for medical students. A maximum of \$15 million will be lent annually by commercial banks.

An example of the increase in student aid is reflected at Stanford University.

Nearly one third of Stanford's undergraduates are attending the university on some type of financial aid. The average stipend for undergraduates is slightly more than \$1,000.

The university allocated \$1.8 million to support 1,745 undergraduates during the 1961-62 academic year.

More than \$1 million comes from Board of Trustees appropriations, gifts and endowments. The remainder comes from California State Scholarship support, the National Merit Scholarship Foundation, General Motors, and other educational funds.

For the Stanford graduate stu-

COLLEGE NEEDS

continued

dent even more money is available.

The upward trend of voluntary support for various educational needs is exemplified by four recent events:

The Ford Foundation announced continuation and expansion of grants to the nation's two largest private programs of financial aid to able college and university students—the Woodrow Wilson Fellowship Foundation and the National Merit Scholarship Corporation. Both organizations were established by the foundation in the 1950's.

The new grants are:

\$27.5 million to the Wilson foundation. To continue through the 1967-1968 academic year its first-year graduate fellowship for prospective college teachers and to start a new program of helping finance the writing of doctoral dissertations. The foundation awards about 1,000 fellowships annually and will support up to 200 new ones.

\$14.5 million to the Merit Corporation. To continue through 1969-1970 its undergraduate scholarships for talented high school students. The corporation annually awards about 900 scholarships after nationwide competition. The grant will also enable it to undertake a number of experimental scholarship programs.

Sears Roebuck and Company appropriated \$1 million, in addition to its planned giving, for support of private higher education. Total contribution of the company and foundation this year will be \$1.7 million.

The Esso Education Foundation reported that, at the end of the 1961-1962 academic year, it had granted \$11.3 million to 434 educational institutions since its establishment in 1955. The Foundation gave about \$1 million in 1955-1956. This year's total was about \$1.9 million.

Twenty-five Cleveland companies have adopted a "one per cent program." Under the plan, a company agrees to increase its contributions at once to colleges and universities and, within three years, to contribute not less than one per cent of income before taxes. Each company is free to support higher educational institutions and projects of its own choice.

The Chamber of Commerce of the United States, recognizing that education is an individual and community responsibility, recommends

business support of colleges and universities.

Irving S. Olds, chairman of the board of directors of the Council for Financial Aid to Education and former board chairman of the United States Steel Corporation, says that about 30,000 companies are believed now to be making voluntary contributions to higher education.

The Council's president, Dr. Frank H. Sparks, maintains that the voluntary corporation dollar is

worth more to education than the corporation tax dollar.

One gift dollar from one source, he says, tends to pry loose other gift dollars from other sources. Tax dollars tend to discourage gift dollars.

An example occurred several years ago when several corporations dropped their scholarship programs when a federal program seemed imminent. They reinstated them after the proposal failed to pass.

END

HEALTH PLAN *(continued from page 35)*

with \$75 nationally. Balancing off these conditions are the following facts: Although the majority of registered voters in Pinellas County are Democrats, transplanted Republicans from the Northeast and Midwest are nearly as heavily represented among residents.

And the congressman representing this area, Rep. William C. Cramer, is an articulate Republican who has tried to keep his constituents informed on all phases of the issue. Perhaps as important as anything else is an underlying philosophy of self-reliance and independence which evidences itself particularly in the most mature residents.

Take, for example, Miss Leora D. Lewis, 69, who has been in the real estate business in St. Petersburg since 1920. "As a rule people can take care of themselves without any new government program," she says. "If they are frugal, they are in a position to do so. If they're not, their relatives or state agencies can. I carry my own insurance. I don't go for any big, broad federal plan which will cost the young people money for years."

White-haired Frank M. Brazier, 68, though eligible for social security, isn't drawing it presently because he is working for a local hotel. He opposes the Administration health plan because "I've found that usually anything run by the government isn't run too well. It's only with the greatest difficulty that people can deal with the Social Security Administration to get existing benefits."

He adds: "The cost of getting sick is terrific, but I think the King-Anderson bill would be a possible threat to health standards and could cause very crowded conditions with everyone running to the hospital."

Hospital official worried

Mound Park Hospital Adminis-

trator Don A. Rece is worried about the potential impact of the pending legislation. Elderly patients presently occupy about 50 per cent of the beds in the city hospital.

"The demand for hospital beds without question would increase terrifically here," Mr. Rece told NATION'S BUSINESS. "The impact would be great not only because of the high proportion of elderly but also because some of the older people don't realize they would have to pay \$10 a day themselves the first nine days. Others think the legislation would cover all people 65 or older."

Another major problem would involve bureaucratic costs which Mr. Rece sees as inevitable if the bill becomes law.

"We've had enough experience dealing with the federal government with military and federal employee compensation patients to know how much red tape you can get into."

The King-Anderson bill, in prescribing that hospitals will charge "reasonable costs," could make it much more expensive for either hospitals or taxpayers and probably both. As Mr. Rece points out, to determine reasonable costs, you have to itemize all charges, such as that for each laboratory test. This would mean more staff, paperwork and expense for the hospitals and many more government employees to audit and check on hospitals.

Mr. Rece also casts light on the ability or willingness of elderly hospital patients to pay their way. A recent Mound Park Hospital survey showed elderly patients paid their bills better than did younger patients.

The survey of Pinellas County on the health care issue was made by Congressman Cramer. He sent out a questionnaire asking constituents' opinions on several current issues. It went to a random sample of his congressional district of several

counties. Of the returns, he got back 2,091 questionnaires from residents of Pinellas County. Some 694 said they favored the Administration's health care plan through social security. Some 1,263 said they opposed it. The balance—134—did not answer.

His mail also has been running against the social security approach. However, many writers want some kind of government aid to help elderly people pay their high health costs. And quite a number favor the King-Anderson measure.

A 66-year-old St. Petersburg woman wrote:

"I urge your support to do something at this session of Congress even if it's wrong. I visit the doctor one to four times a month. The main conversation among older patients in the waiting room is medical aid of some sort. Many of those talking are being treated without charge, and it shows the state of their emotions and desire to see the doctor get paid."

In Pinellas County, as in other parts of the country, doctors treat a portion of their patients free. "About half a dozen of my older patients every week never are sent a bill," says one St. Petersburg physician. "We expected this when we went into medicine. We always take care of those who really need treatment. There's no need to set up a socialized federal system to run the whole operation."

Doctors get together

Doctors in this area decided they had "better get organized," explains Dr. Allyn Giffin, "when we found out how active the union and other lobbyists for the Kennedy Administration's bill were getting in the county." Now local doctors are handing out literature to their patients warning against the bill, and the area medical societies are gathering ammunition to fight it, such as the fact that a room at Mound Park Hospital costs about \$15 a day, compared with similar facilities at nearby sprawling Bay Pines veterans hospital which costs taxpayers \$60 a day. This is an indication, say the doctors, of what socialized medicine would mean in tax costs.

Mrs. Helen M. Lahey, 65, a retired telephone receptionist from New York, is a widow drawing social security and now living in St. Petersburg. She has several objections to the Administration bill.

"It's not fair to the young people who have to pay the added social security tax which would pay our

hospital bills," she told NATION'S BUSINESS.

"And where are people in real financial need going to get the \$90 to pay for their first few days in the hospital? If I go to the hospital for 90 days and then go into a nursing home for 90 days, I'd just be six months older and probably still sick. But what gets me most is that any government-run plan limits your choice. It's the same old bunk of 'you pay us and we'll take care of you'. It's all for votes."

Representative Cramer points out an array of objections to the Administration bill. He notes that it would not pay doctor bills. It would not pay dentist bills. It would not pay for private nurses. It would not pay for drugs outside of the hospital or nursing home. It would not permit choice of the type of health care coverage or noncoverage. Being financed by social security tax, it would put much of the burden on those not best able to pay. It wouldn't cover all citizens older than 65. It wouldn't prevent the well-to-do from also getting benefits if they want them. The total tax cost in the long run is unknown. It could lead to government control of hospitals and nursing homes.

Counterproposal

Representative Cramer has introduced his own bill aimed at keeping health care on a voluntary basis and "based on the premise that people themselves are better qualified than federal bureaucrats to spend their own money and to determine exactly what kind of medical protection, if any, they need."

The Cramer bill provides for a tax credit of \$125, or \$250 for a couple, against the cost of private health care insurance. For persons 65 and more who don't pay taxes, the measure would provide medical care certificates from the general tax funds to be used to pay private health insurance premiums. The bill is similar to the Bow bill, which many Republicans in Congress now support.

Some of the older residents of St. Petersburg lean toward the Administration bill, but in extended conversation they reveal that they are against much of what the legislation might bring.

For example, the trim, informed wife of a retired British military officer believes that the government should take care of older persons in need of medical treatment through the social security system. She doesn't see any danger in providing hospital care under government su-

pervision. "But I'd hate to see socialized medicine such as they have in Great Britain. It just couldn't work here."

"Health care of the aged is a great problem of which I have knowledge in my experience in volunteer welfare work," she adds, "but I don't think a decision should be made quickly and I certainly would want my own choice of doctor and type of care and facilities."

A local man sums up the thinking of many senior citizens:

"I'm 65 and still have a relatively young family to support. I am worried about what will happen to my five children if this philosophy of socialism and control from a central government continues to grow. The expense and human detriment resulting from such steps (as the King-Anderson health care proposal) are more far-reaching than most people realize." **END**



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GROWING FRINGES BOOST COSTS, PRICES

New survey reveals continuing dramatic rise in expensive hidden benefits

COSTS of fringe benefits are increasing nearly twice as fast as the wages and salaries paid to employes in American business and industry.

Payments will total about \$65 billion this year, representing a 117 per cent increase over the \$30 billion in fringe benefits costs 10 years ago.

Over the same period, wages and salaries have increased 62 per cent.

This increase in hidden pay is analyzed in "Fringe Benefits 1961," a study of 1,120 companies, conducted by the Economic Research Department of the Chamber of Commerce of the United States. The study indicates that the upward trend will continue.

These findings are particularly important, coming at a time when government has been pressuring business to hold down prices and talking of wage increases geared to productivity.

During such times, increases in fringe benefits can

cluding vacations, holidays and sick leave. Remaining benefits were nonpayroll items, many of which are required by law, such as social security taxes.

As to the costs of benefits, four firms reported payments of less than eight per cent of payroll; but two reported payments of 70 per cent.

One tenth of firms reporting had less than 16.8 per cent, a fourth less than 19.6, half less than 23.9, three fourths less than 28.8 and nine tenths less than 34.

By industries, financial institutions paid the highest fringe benefits; textile and apparel manufacturers the lowest, as shown by the chart on opposite page.

Besides government policy in the price-wage field, factors contributing to continued increases in fringe benefits are built-in raises under federal statutes and pressure to expand and extend existing employee benefit programs.

Old-age, survivors and disability insurance taxes are now scheduled to rise from the 3½ per cent paid this year to 4½ per cent in 1969, both rates paid upon the first \$4,800 of employee earnings. The present \$150 maximum per employee becomes \$222 within seven years, an increase of 48 per cent. These are taxes paid by the employer upon his payroll. He is also required to withhold a similar amount from each employee's earnings, and forward both amounts to the federal government. Furthermore, these rates are based upon present statutes and there is no guarantee that the present schedule will hold until 1969, as Congress has increased the tax rate five times in the past 12 years.

Addition of health care to the social security structure would add another quarter of a per cent immediately, and could generate pressure for further additions once senior citizens became aware of its limitations in coverage.

Pension and insurance premiums are expected to continue their increase. A steadily increasing proportion of employes is expected to be covered, and further liberalization of benefits is foreseen.

More employes are expected to receive paid vacations and rest periods, the average length of which will probably increase.

END

("Fringe Benefits 1961," a 36 page report, is available from the Chamber of Commerce of the United States, Washington 6, D. C. at \$1 per copy.)

YEAR	1952	1962	INCREASE
WAGES & SALARIES	\$185 BILLION	\$300 BILLION	62%
FRINGE BENEFITS	\$30 BILLION	\$65 BILLION	117%

be sought and won more easily than wage increases which can be attacked as inflationary.

But fringe benefits, like wages and other business costs, must be absorbed by business or passed on to consumers as higher prices for goods and services.

During 1961, average fringe benefit payments, expressed in terms of payroll costs, reached 24.9 per cent—61.6 cents per payroll hour or \$1,254 per full-time employee. The patterns varied widely, however, among industrial groups and individual companies within industries.

Almost half of the benefits listed in the research report consisted of payments for time not worked, in-

FRINGE BENEFITS AS PER CENT OF PAYROLL, 1,120 COMPANIES, 1961

MANUFACTURING

Average, all manufacturing	23.6
Manufacture of:	
Food, beverages and tobacco	25.4
Textile products and apparel	19.3
Pulp, paper, lumber and furniture	20.4
Printing and publishing	20.1
Chemicals and allied products	27.6
Petroleum industry	27.0
Rubber and leather products	26.1
Stone, clay and glass products	21.6
Primary metal industries	25.6
Fabricated metal products (excluding machinery and transportation equipment)	25.0
Machinery (excluding electrical)	23.6
Electrical machinery, equipment and supplies	23.4
Transportation equipment	22.8
Instruments and miscellaneous manufacturing industries	24.1

NON MANUFACTURING

Average, all nonmanufacturing	27.1
Public utilities (electric, gas, water, telephone, etc.)	25.6
Trade (wholesale and retail)	22.2
Hotels	20.4
Banks, finance and trust companies	33.5
Insurance companies	27.7
Miscellaneous industries (research, engineering, mining, warehousing, etc.)	24.4

HOW THE NATIONAL CHAMBER MAKES SURE OF ITS

FACTS

What are the FACTS in the case? This is the one question which the National Chamber always asks—and keeps on asking—about every national trend, development, issue, economic problem and legislative proposal with which it deals.

The Chamber needs completely accurate information on which to base its own decisions and make its own plans.

It also needs completely accurate information to disseminate to businessmen, lawmakers, government officials and others.

To make sure of its facts, the National Chamber gets its information, whenever possible, from original sources. The process includes establishing the facts, weighing the facts, analyzing the facts—and interpreting the facts.

Here is an outline of what is involved, and of how the job is done:

1. THE CHAMBER'S OWN REPORTERS COVER DEVELOPMENTS IN CONGRESS

To know what Congress is doing and thinking about, the Chamber has its own trained reporters and experienced observers covering Congress. These reporters attend congressional committee meetings and hearings, listen in on debates, interview Senators and Congressmen, and learn what is being planned and proposed.

2. CHAMBER OFFICERS MEET WITH GOVERNMENT OFFICIALS

National Chamber officers, committee chairmen and department managers meet regularly and informally with high government officials, exchange information and ideas with them, and get from them a firsthand report on the legislative picture as it is viewed and interpreted by the federal departments and agencies.

3. COMMITTEES SERVE AS RESEARCH GROUPS

More than 30 National Chamber committees—each representing a particular field of business, or a special category of issues—are active at all times.

Each committee is in reality a specialized research group. It watches trends, and studies problems and potential problems in its own area of interest—particularly those having to do with national legislation.

These committees report their findings and recommendations to the Chamber's Board of Directors. In this way, the Chamber receives an accurate and up-to-the-minute picture of problems and developments in every sector of the economy.

4. CHAMBER DEPARTMENTS DO SPECIALIZED RESEARCH

Fifteen departments of the National Chamber which deal with legislative matters engage continuously in research work, each in its own particular field. Also, the staff of *Nation's Business*, the most widely read business magazine published, does extensive research work on national issues and problems affecting business.

5. ECONOMIC RESEARCH DEPARTMENT COORDINATES THE WORK

The National Chamber has perhaps the best staffed and best equipped Economic Research Department of any business organization in the country.

This department studies all phases of economic and public-policy questions affecting the economy—particularly changes and proposals in fiscal and monetary policies of government and business, price policies, wage policies, and government-business relations.

It is the responsibility of the Economic Research Department to coordinate all the Chamber's research activities, to reinforce and supplement the research work of all the other departments—and to advise the departments on the economic aspects of their work.

The Economic Research Department publishes research papers on important economic problems which are distributed to business leaders, economists, government officials, educators and writers.

STRENGTHEN YOUR

Understanding of three basic steps improves performance

IT'S POSSIBLE to reason successfully without understanding just what you're doing. Lack of such understanding, however, can make reasoning a hit-or-miss affair.

The fundamental rules for the kind of reasoning most of us do most of the time in business are fairly simple. To ignore them is to neglect a valuable tool for improving your competitive position.

The basic laws of reasoning can be considered under three headings:

1. Collecting facts.
2. Inductive reasoning.
3. Deductive reasoning.

Collecting facts

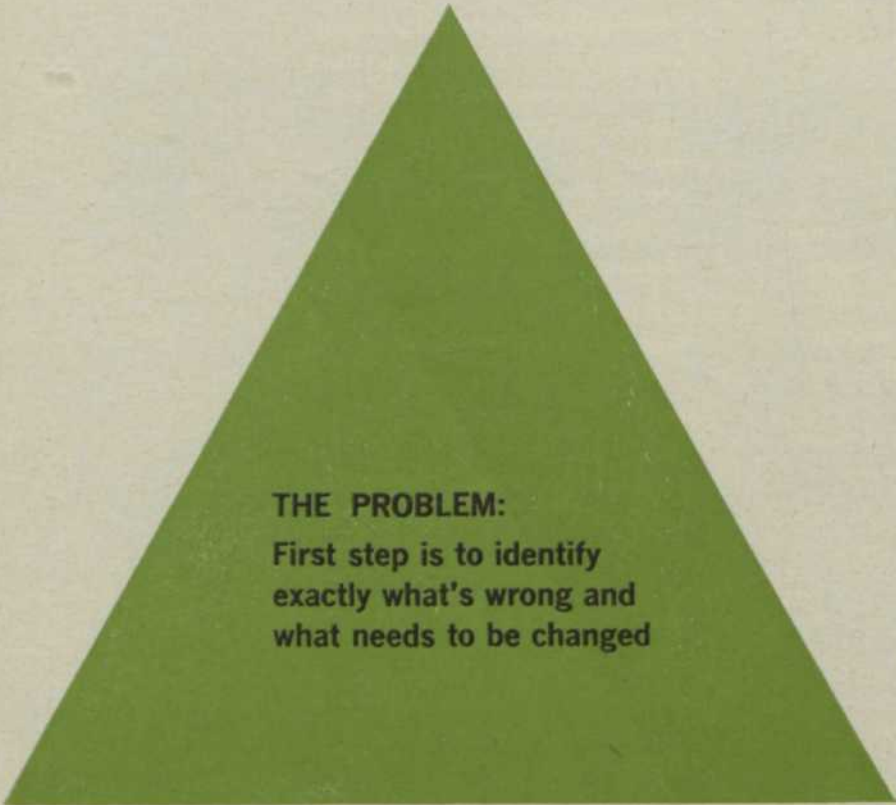
Dr. Ernest Nagel of Columbia University, a leading authority on logic, points out that the scientific method treats facts merely as propositions for which there is considerable evidence. This aspect of the method is readily adaptable to business practice. Its effect is to keep facts hungry and working hard to stay alive instead of letting them get soft, fat and

useless. If you think of facts simply as facts you may find it hard to doubt them. If you think of them as propositions for which there is considerable evidence, it is much easier to look over that evidence and challenge it or try to add to it.

The head of a big city department store once was asked from which part of his area's population he drew most of his customers. He answered that his customers constituted a nearly perfect cross-section of the whole local market. This was for him a plain, hard fact.

Soon afterward, the store's merchandising manager made an analysis of the sales tickets of several preceding months. He was astonished to learn that, although the store was in the central shopping district, the overwhelming majority of its customers were from one comparatively small section of the city. They also were from the lowest third in income.

In the store's early days, when the town was smaller and the population less varied, the chief's "plain, hard fact" may have been a proposition for which there was considerable



THE PROBLEM:

First step is to identify exactly what's wrong and what needs to be changed

COLLECTING FACTS:

Get a reasonable amount of information relating to your problem. Then stop

REASONING POWER

support. Had he thought of it that way, he would have been able to notice changes. Over the years he would have noticed countless bits of evidence that his clientele was changing. His failure to pay attention to such evidence cost his firm heavily.

An investor once approached an advertising agency for help in marketing a new kitchen gadget. He already had arranged for production and for distribution through sales agents. The advertising agency representative asked whether he had investigated consumer interest in the product. He answered that he had tried the gadget on all his friends and relatives and that they had unanimously assured him it was great. When the agency suggested a more detailed investigation he stalked out angrily.

Some months later the advertising agency learned the gadget had been manufactured in quantity and distributed nationally for sale at \$1.49. It had little appeal either for the trade or for consumers. The sales agent then learned that a similar product had been on sale a year earlier at only 39 cents and also had failed.

The investor had allowed the item's salability to become for him a fact beyond questioning. He had not really looked upon his friends' testimony as evidence, but reassurance.

The way to avoid such disaster is to give important facts a cold, semimathematical treatment. The investor in question could have gone about it this way:

Proposition: This is a salable gadget.

Evidence: A says so and so about it.

B says such and such. And so on.

This treatment would have made it difficult to miss the point that at least one opinion—that of the advertising agency—was not enthusiastic.

The great advances of modern science stem from the habit of giving all facts this treatment. The word "atom," for instance, is Greek for "the indivisible." Until a couple of generations ago, there was considerable evidence for the proposition that matter was made up of indivisible atoms.

Then new evidence began turning up. Today there is considerable evidence that atoms

and digest the evidence you have; gathering too many facts may tend to confuse the issue rather than provide a solution

THE SOLUTION:

Put your facts together in the most logical way, then test your solution

REASONING POWER

continued

are made up of dozens of identifiable particles. This enormous change in what once seemed a decidedly hard fact has produced a new era.

Inductive reasoning

Once you get into the habit of treating facts as propositions requiring supporting evidence you are ready for inductive logic, modern style. This kind of reasoning treats facts and hypotheses much alike. Any proposition may be considered in either category, depending on circumstances.

An hypothesis is, in essence, a guess at the relationship among a number of propositions for which there is considerable evidence. If the guess turns out to be a good one, it graduates to the status of a proposition for which there is pretty solid evidence.

According to Dr. Hans Reichenbach, this often shocks those who think of logic as a series of rigidly prescribed steps in reasoning. Dr. Reichenbach is professor of philosophy at the University of California and a leading authority on inductive logic. The act of discovering a possible explanation for a set of facts, he says, must necessarily be a leap in the dark.

"The scientist who discovers a new theory," he goes on, "usually is guided to his discovery by guesses. He can only say that an explanation which might fit the facts suddenly popped into his mind."

Inductive reasoning, then, is discovering the reasons for a conclusion already known. Deductive reasoning, by contrast, is discovering a conclusion for which the reasons are known.

Ever since Aristotle, logicians have sought to make rules for improving the fruitfulness of such guesses. Not until Sigmund Freud promulgated his theory of the unconscious mind did they have much success.

The human mind is like an iceberg. The greatest part lies below the surface, and it is in interconnections among the many millions of memories stored in the subsurface part of the mind that we must seek hypotheses.

Or rather, this is the way it works when the problem of finding an explanation which might fit the facts is difficult. Sometimes the explanation seems to pop up of its own accord.

For example, a real estate dealer

in a small town noticed that the manager of a chain supermarket with a downtown location seemed to have cut down on building maintenance. A week or so later he saw two strangers inspecting a field on the edge of town. The next day he saw the supermarket manager lunching with the two strangers. These bits of evidence almost automatically formed a pattern suggesting the hypothesis that the supermarket was planning a move to the town's outskirts.

Three recommendations

Modern studies of the way the mind operates have led to three concrete recommendations on how to seek hypotheses in such cases:

If you have an hypothesis, check it.

Don't collect evidence indefinitely.

After checking, forget the problem for a while.

The best way to present these recommendations is through an example. A New England metalworking plant was handicapped by a high and growing turnover rate among shop employees. When the

Your business will
be affected by the
moves to reapportion
state legislatures.

For analysis, turn
back to page 29

owner first tackled the problem, an explanatory hypothesis came easily to hand. This was that his men were being lured away by better pay or highly appealing fringe benefits. It was simple to check. The check revealed that some of the men who left him actually took slight cuts in pay or other benefits in their new jobs.

This brought him to a crucial point involving the first recommendation. Evidence confirming an hypothesis is emotionally satisfying, and contradictory evidence is frustrating. Such frustrations often drive men to look for someone to blame and, in this case, might have led the plant owner to blame his foreman. To steel yourself against this inclination, remind yourself that more than nine out of 10 experiments in the formal sciences have negative results and that

many such disproofs of hypotheses have constituted advances of great importance.

In this case the metal goods manufacturer did not succumb to the temptation to accuse his foreman. Instead, he began interviewing departing employees. As often happens, none of them was articulate enough to explain precisely why he was leaving. The mumbled complaints included frivolities and contradictions, such as that the lunch break was too short or too long.

Among the more serious explanations were one by a comparatively young man who said he had not been taught the capabilities of the machine he operated and one by an older man who said that the equipment he had been assigned was obsolete.

When the plant owner had collected a number of interviews, all he had was a jumble of words and impressions. He had reached the point where the second recommendation applies.

Weigh the evidence

It is not easy to follow this in practice. When the facts do not seem to make sense, the natural inclination is to seek more of them. Some men try to solve many of their problems simply by burying them under great piles of facts.

Unfortunately, there is no formula for prescribing how much evidence will be enough. If you happen to have too little when you stop collecting, however, you can look for more later. For practical purposes it usually is best to try to make do with as little as possible.

Sleep on your problem. This is the technique approved independently by many researchers in psychology and scientific methods for making Dr. Reichenbach's leap in the dark. The technique is to forget the problem for a while.

Practical men often are taken aback when they first hear this recommendation. It sounds a little like something for nothing. It is not, however. Actually, forgetting a problem for a while does not mean doing no more work on it. It means doing no more conscious work. Your unconscious mind goes on working even while you sleep, as you discover every time you dream.

Here is how this worked in the case of the metal goods manufacturer: After about 20 interviews he forgot his problem for a couple of days. When he was alone in his office one morning, it suddenly popped into his conscious mind that the youngster who felt he had

not been taught enough and the older man who thought the equipment obsolete had been saying the same thing.

The machines actually were far from obsolete, so the older man clearly had not learned enough about them either. The two things reminded the owner that in his days as a machine operator he, too, had wanted to learn everything possible about his equipment because it had seemed the best way to get ahead.

There was his hypothesis: A considerable number of men might be leaving his plant because they felt he provided insufficient training.

Deductive reasoning

Many of us were taught in school that science relies on inductive reasoning, while old-fashioned logic is concerned with deductive reasoning. The history of science and philosophy provides the explanation of this remarkable misconception.

Modern science began its rise in the early Seventeenth Century. At that time the teachings of such ancients as Aristotle were considered to be beyond dispute. Those who felt that way insisted that the only way to learn anything was to start with premises established by Aristotle or similar authorities and deduce the consequences of those premises. Those who championed science wanted to forget Aristotle and establish new premises by inductive reasoning.

The premises of modern science, or modern reasoning on any kind of problem, are hypotheses. But once you have your hypothesis it is of no use to you until you deduce consequences from it. Deductive reasoning is every bit as important in modern thinking as inductive reasoning.

The basic form of deductive reasoning, of course, is the syllogism. In its bare bones this consists of a major premise, a minor premise and a conclusion which necessarily follows from the two premises. The usual example is:

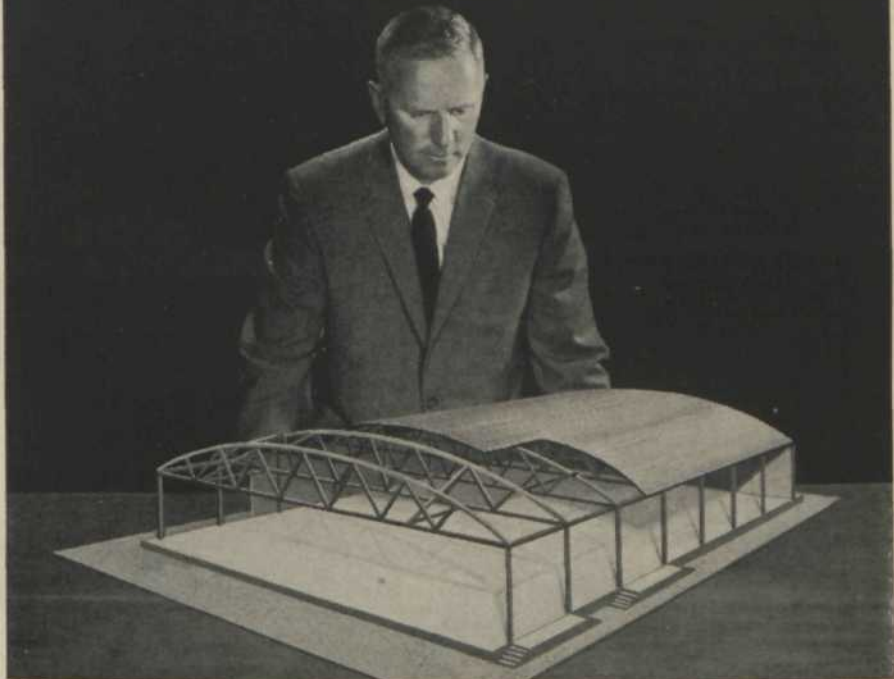
Major premise: All men are mortal.

Minor premise: X is a man.

Conclusion: X is mortal.

The most common misuse of the syllogism is a result of failure to state and consider the premises. You have to state premises explicitly in order to be able to consider whether they are valid. Probably the most dangerous kind of syllogism is that in which the major premise states that *all* so-and-so's are such-and-such. It is the kind

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REASONING POWER

continued

we all prefer because it permits certainty in the conclusion. But this understandable but illogical yearning for certainty makes it necessary for us to exert considerable effort to state such premises clearly and examine them carefully.

In the case of the New England metal goods manufacturer with the turnover problem the line of deduction proceeded as follows:

Major premise: His turnover rate seemed unnecessarily high.

Minor premise: Some of those leaving apparently had done so because he provided too little training.

Conclusion: He might be able to cut down turnover by providing more training.

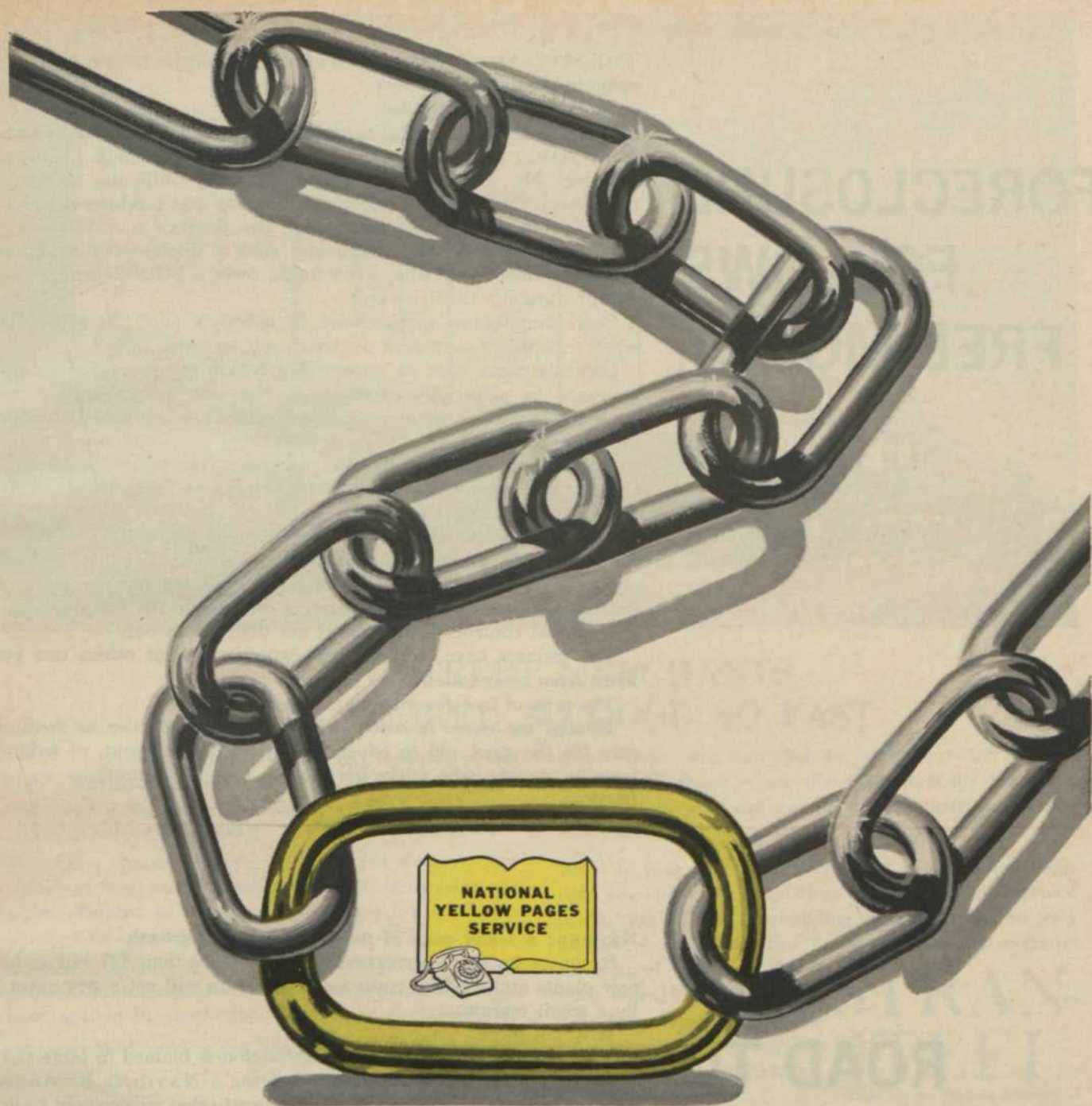
This is the best kind of conclusion that deduction from hypotheses can produce because it indicates a test. The purpose of old-fashioned deduction was to produce certainty. The purpose of this kind of deduction is to produce conclusions that can be tested.

The manufacturer and his foremen began spending an hour or so a day working with each of the men in turn and showing them as much as they seemed interested in learning about what their machines could do. A few of the machines were capable of operations not required in the work of the plant, and the teachers made a point of demonstrating these, too. In the following months the turnover rate dropped.

This is typical of the kind of confirmation that can be had for conclusions deduced from hypotheses. It is never absolute confirmation. In this case other unknown factors could have been responsible for all or part of the turnover drop, and if the added training had been costly, the plant owner would have been foolish not to keep seeking such factors. Since the training was inexpensive, there was little need for questioning its effectiveness.

This is all far from the certainty we desire, but it is the best we can do. Considering the accomplishments of modern science and industry, it is a pretty impressive best.—ROBERT FROMAN

REPRINTS of "Strengthen Your Reasoning Power" may be obtained for 20 cents a copy or \$12.00 per 100 postpaid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance.



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FORECLOSURE FOLLOWS FREE MONEY

THE FEDERAL GOVERNMENT'S efforts to help its people lead into some unpredictable byways.

Among current examples:

The Department of Agriculture has levied a \$20,899.90 assessment against Jesse R. Stalker, a New York State milk producer-handler. Mr. Stalker's offense was to buy milk in 20 quart containers. Department regulations stipulate that producer-handlers must buy in packages no larger than two quarts.

Somewhat earlier the government sold at auction the Arkansas farm of James Weir who, it contends, owes a \$16,972 penalty for overplanting his 1959 rice crop.

Such thumbscrew tactics were in nobody's mind 30 years ago when a benign government pledged itself to "farm relief."

Controls came later as government fought against surpluses encouraged by artificially fixed prices. Now the Administration has proposed a new farm program with controls which are described as the toughest yet.

The Administration calls the new plan "managed abundance." Charles B. Shuman, president of the American Farm Bureau Federation, calls it "naked coercion."

Commenting editorially, the *Farm Journal* has said:

"We do not choose—and we don't believe most American farmers choose—to solve the surplus problem which exists in only three or four commodities by shoving farmers' necks into the noose of rigid government control. They'd never get their necks out."

The farmers have learned from experience what others can yet learn from observation:

The price of free government money is high.

Though the noose is baited with such enticing titles as medical care for the aged, aid to education, urban development, or federal housing, anyone who sticks his neck in has put a mortgage on his freedom.

He will not escape foreclosure.

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Businessmen this year expect to spend more than \$37 billion for new plants and modern equipment. The sum will set a new record by a small margin.

Why not more?

The political environment in Washington is blamed in large part by leading American executives answering a NATION'S BUSINESS survey (page 36). The survey reveals clearly that government could end a great deal of hesitation and inspire economic growth by removing some of the major roadblocks to expansion.

Business confidence—or lack of it—is one element government could do something about.

The new depreciation allowances will have a quick and favorable impact. Businessmen will respond by boosting plans and spending.

Also needed is genuine reform of the entire tax system. Needed are the kinds of changes that will lower the price of government to consumers and give them more of their own incomes to buy what they need and want. Also needed is a reduction of war-instituted business taxes to a level less confiscatory and more equitably adjusted to peaceful prosperity.

The President promises convincingly to press for such major tax reform next year. This aim deserves the vigorous support of business leaders.

Nation's Business • July 1962

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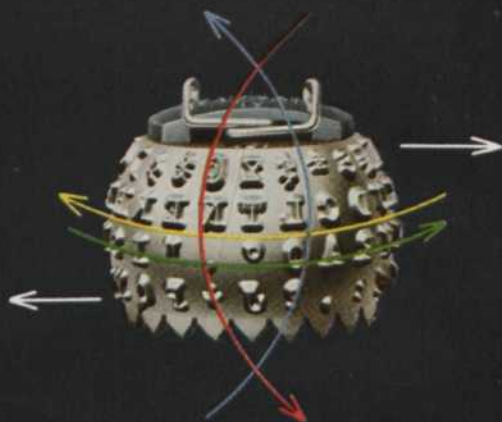
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